# Daily Report

# Latin America

FBIS-LAT-96-033
Friday
16 February 1996

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# Daily Report
Latin America

*FBIS-LAT-96-033* *16 February 1996*

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### Central American Ministers View Trade With Mexico

*PA1502143196 Panama City ACAN in Spanish 2018 GMT 14 Feb 96*

[FBIS Translated Text] San Jose, 14 Feb (ACAN-EFE) — The first meeting of Central American foreign ministers, preparatory for a meeting between Mexico and Central America, was marked by Nicaragua's defense of its plan to continue bilateral negotiations with Mexico to sign a free trade agreement. This is being objected by Honduras, El Salvador and Guatemala.

The foreign ministers of the six Central American countries, the deputy foreign minister of Panama, Omar Jaen; and Mexican Foreign Relations Under Secretary Javier Trevino dedicated the first day of their meeting to work on a document acceptable to all.

According to sources at the meeting, the session agenda was broken when Honduras proposed that Nicaragua renounce to the progress it has made in its bilateral negotiations with Mexico to join the rest of Central America in the negotiations with that country.

According to the source, the Honduran proposal called for respecting the Free Trade Agreement in effect between Mexico and Costa Rica since January 1995 because it is already signed.

Nicaraguan Foreign Minister Ernesto Leal challenged this position by defending the bilateral negotiations alleging that "they do not go against or exclude multilateral negotiations."

Leal explained: "No one can start from zero after having conducted negotiations for four years."

The Mexican official gave signs that he supports the Nicaraguan position when he said that significant progress has been made.

According to Central American sources, Nicaragua has practically concluded its negotiations with Mexico but the agreement has not been signed, first, because of the change of government in Mexico, in December 1994; and later, because of the economic crisis that set on that country on that month.

Meanwhile, the other three countries — Honduras, El Salvador, and Guatemala — which compose the so-called "Northern Triangle," have held only one meeting, in June 1994, and for this reason the negotiations are very incipient.

Costa Rican Deputy Foreign Trade Minister Francisco Chacon said that the participants are working on a document that will contain Central American consensus and denied the existence of a dispute. He cautioned, though, that Nicaragua "is entitled to continue its negotiations" on the basis of what has been done until now. He said: Differences of this nature "are normal in every negotiation process," he said.

The foreign ministers' meeting will conclude this afternoon, local time, with the issuing of a document to be analyzed tomorrow in the capital of Costa Rica by the presidents of Central America and Mexico in the so-called Tuxtla Gutierrez II summit, which will end Friday.

### Central American Ministers' Summit Opens in Costa Rica

*PA1602121196 San Jose Radio Reloj in Spanish 1825 GMT 15 Feb 96*

[Speeches by Costa Rican President Jose Maria Figueres, Mexican President Ernesto Zedillo, and Honduran President Carlos Roberto Reina at opening ceremony of the "Tuxtla Gutierrez II" summit in the Herradura Hotel in San Jose, Costa Rica — live]

[FBIS Summary] A 31-minute live broadcast of speeches by Figueres, Zedillo, and Reina. This is a follow-up and review meeting of the "Tuxtla Gutierrez I" summit held in January 1991 and is attended by the heads of state of Panama, Costa Rica, Nicaragua, Honduras, El Salvador, Guatemala, Belize, and Mexico.

Before beginning his formal welcoming speech, Costa Rican President Jose Maria Figueres apologizes for the delay of more than an hour of the start of the summit. He expresses happiness because Costa Rica is hosting this summit and hopes that the "deliberations of the next few days will have a rejuvenating effect on our joint effort to tighten the ties that unite us." He starts out by referring to the Alliance for Sustainable Development that Central America "adopted" in October 1994 and says that more than its importance as a political framework, the alliance "represents an outlook of the future." Later Figueres expresses satisfaction that, since the first summit, both Belize and Panama have joined the process in full. Figueres says: "The summit can accomplish, as far as the economy is concerned, a frank and optimistic evaluation of the possibility of establishing the great meso-American free trade zone and thus reduce the barriers to investment and capital flow." Figueres concludes his speech by stating the need for meso-American peoples to "place unity above adversity" today more than ever.

Mexican President Ernesto Zedillo begins his speech by thanking the Costa Rican Government and people for their "generous hospitality and for the organization of this summit." He refers to himself as the president who

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hosted the previous summit and says that he seeks to "encourage mutual trust and the understanding between our governments in order to attain regional agreements on subjects of mutual interest. We want to build more and better consensus that will strengthen the position of our region, compared to other areas, and our community nations, opposite the international community. Among these topics of common interest, the migratory phenomena can be highlighted, which must be dealt with from an overall perspective that identifies its causes and its various forms. Mexico believes that it is necessary to adopt regional cooperation programs that encourage respect for the human rights of migrants." Zedillo continues: "The San Jose mandate should reiterate our common goal to establish a free trade area that includes the entire geographic area we share. Mexico intends to advance, starting with bilateral agreements and treaties. All in all we admit that the most solid and efficient advance is to do so together with a clear, firm, and progressive trade liberalization throughout the region." Zedillo then speaks of the new oil terms that have been agreed to in the San Jose Pact, which include a greater variety of oil types and products that Mexico offers under preferential conditions, and the expanded use of the resources generated from these sales.

Reina begins to speak in representation of all Central American presidents. He starts out with a historic reference to Mexico's relationship with Central America that dates back to the days of the Aztec Indians. Reina adds: "Integration experience, which dates back to the 1960's in the case of our countries, has taught us that market dynamism is not enough to reach significant degrees of growth. In addition, there is an essential need to promote and encourage joint investments as well as shared financing and full economic and social integration." Reina says that Central America as a whole is far more important than its individual countries, especially as it concerns supply and demand of goods and services. He adds that Central America is not big enough when compared to large, consolidated, and ongoing economic blocs. Reina adds: "If our integration movement is to be a key to future development, it should converge with other hemispheric schemes and even with those outside the hemisphere."

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## Cuba

### Cuba's Castro Discusses Sugarcane Harvest

*PA1602020496 Havana Cubavision Network in Spanish 0130 GMT 14 Feb 96*

[Speech by Cuban President Fidel Castro Ruz at the Candido Gonzalez Sugar Mill in the province of Camaguey on 12 February — recorded]

[FBIS Translated Excerpt] Compatriots of Santa Cruz, Camaguey residents, neighbors of the Candido Gonzalez Sugar Mill: I am very pleased to share with you this day of joy, which is justified and well deserved, as the Candido Gonzalez Sugar Mill is the first one in the country to meet its sugar production goal. [passage omitted ]

We were fortunate to have fertilizers, not as much as we would have liked, but enough. For more than three years we lacked fertilizers for our sugarcane. We managed to obtain financial assistance. As the world saw our country resisting, countries began to have confidence in our efforts, in the advancements we were beginning to make. We received some financial aid to purchase fertilizers and herbicides, as well as raw material such as metals to make machinery parts and tires, or to buy what we could not produce here, or to import some spare parts.

In sum, we had to distribute our scarce resources in order to cover all our needs during the harvest. We wanted all our sugar mills operating; there is nothing worse than a paralyzed sugar mill, which is forced to stop operating due to lack of sugarcane. Labor and experience are wasted; the sugar mill deteriorates. That is why our objective this year is having as many sugar mills as possible working, and almost all sugar mills are operating right now. We had a minimum of resources available. Regardless of how much material a sugar mill can save, it needs steel and various spare parts. Simultaneously with the efforts conducted in agriculture, great efforts were also made in industries, in industrial investments. The country, the party, the government continued — day after day — all these efforts to recover our sugar production. This is not the only factor that will help us come out of the special period. We are working on many areas, fields, and activities. We are already planning to significantly lift rice production next year. A large part of the rice we consume is imported, and it is getting more expensive and scarce in the world. We will use the same procedure we are now using with sugarcane. In other words, we will obtain financial aid. Rice was also without the minimum resources, fertilizers, in addition to fuel, which as you know, is necessary for our agriculture.

We are working on other agricultural products as well. We are also working on coffee. As we manage to obtain more resources, we will continue advancing in recovering the production of our main products and will continue developing the country. Some areas have significantly developed.

Tourism, for example, is an area that has developed considerably, which gives us the resources we need. [passage omitted]

As I said, we followed up each month, each day. We had monthly meetings to see how much land was ready to plant, how much land we had sowed, or replanted, how much land had been cleaned [a guataca] and how much land had been weeded with the little herbicides we had. We wanted to increase production. Last year the sugar harvest ended in 3.3 million [?tons]. This year we plan to harvest 4.5 million tons of sugar, a 30 percent increase over last year. This is an important step forward, but it is only the beginning. We have to get ready for another jump forward in 1997 and another one in 1998 so the sugar industry will satisfy the needs of the national economy not only in volume but also in the price of sugar. You know very well that when a sugar mill takes 60 or 70 days to press the sugarcane, that sugar will be more expensive. That same work force would be necessary to press sugarcane for another 120, 130, or 150 days; therefore, sugar production will be much more expensive.

We managed to produce up to 7 million tons at the beginning of the special period. It dropped to 4 million or so, and then below that. It was necessary to stop that decline and start increasing production again. If there is something we know about, it is sugarcane and sugar. It is a very important product, although as I said, it is not the only one the country is developing. We are developing other areas, and we will continue to develop other areas as necessary in order to move forward. Nevertheless, it was necessary to increase sugar production first. That is why we have more sugarcane this year, that is why we have at least 30 percent more sugarcane. This was possible with work and because we fertilized part of the land. We were unable to fertilize the spring sugarcane that was planted, nor the cold season sugarcane [cana de frio]. Since we fell short in the cold season plan [plan de frio] for the reasons I explained earlier, we managed to get fertilizers to fertilize the cold season sugarcane.

Therefore, by next year, 1997, the cold season sugarcane will be fertilized sugarcane. As you know, with proper care, cold season sugarcane yields 30,000, 40,000, or 50,000 arrobas per caballeria when fertilized. [passage omitted]

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There is no concern right now about the Haiti Sugar Mill, but nevertheless, the Candido Gonzalez Sugar Mill will be ready. Should there be any problem with the Haiti Sugar Mill, the Candido Gonzalez Sugar Mill will continue operating as long as necessary. [applause, shouts] I am telling you this so you will understand the importance and value of having a sugar mill meet its goal. The other sugar mills are now struggling to meet their goals throughout the country. We are still in February. Today is 12 February. We still have the rest of February, which has 29 days this year. We have one more day. We still have March, the month of higher yields. Then April. There are areas where the sugar harvest can be held in May, but many sugar mills will have finished in April, while some will finish in June. The harvest must continue.

Now that you will finish your work in a few days... [pauses] Supposedly, because as soon as another mill begins to work this one will stop, and if the other one works well, then everything is fine. There are reinforcements. Workers from this mill can give them a hand, and you can also help the Suarez Gallol Sugar Mill. Contrary to what happened here, there has been a problem at the Suarez Gallol because of the lack of experience of its workers. They are making a great effort and are doing a great job, but when this sugar mill stops reinforcements may be sent there. Qualified personnel from the Candido Gonzalez Sugar Mill will go to the Suarez Gallol Sugar Mill. The three mills can do the work. We cannot mix the sugarcane from there with the sugarcane of the south. We can mix the sugarcane from the Haiti Sugar Mill and the sugarcane from the Candido Gonzalez Sugar Mill, but not with the other.

We must seek solutions for each sugar mill, one by one. Some sugar mills have been fortunate to have a very good start from the beginning, without any problems. Others have had some problems. Even the Candido Gonzalez Sugar Mill had its problems during the initial days. The Suarez Gallol Sugar Mill had its own difficulties. The Haiti Sugar Mill had problems with an engine that was very important. The problem had to be resolved quickly.

When I talk to you about sugarcane, about planting and harvesting, those two activities must go hand in hand.

We are a bit delayed in the harvesting of cane. In the latest meeting held a few days ago, we emphasized the need to pay closer attention to the crops, to the preparation of the land, and to the weeding of the fields. That is very important because in each harvest we are really working on two harvests: The present harvest and next year's harvest, for which it is necessary for us to have available cane.

We should not devote our attention to the present sugar harvest only. We must also pay attention to coming harvests, because again we have to increase our sugar production by hundreds of millions, specifically between 600 million and 800 million, of arrobas of sugarcane. How can we do this? By planting and cultivating more. Each province knows what must be done.

One of the areas that must plant the most is this one. I am referring to the area of [words indistinct]. How many caballerias are there? [words indistinct]

We must once again recover the sugarcane levels we had in these lands, which are perfect for the cultivation of cane and which get a good amount of rain. We must recover the levels we used to have.

As Carlos said, we must recover our irrigation systems, which is a great effort, but that is not all. Imagine we had 4,000 sugarcane combines. You know it would be impossible today to do without the combines. It is impossible. Those men, who in the past stood in line before the sugarcane fields [words indistinct] somewhere else now. They are in Camaguey and Havana and other places because [passage indistinct].

We are pleased to say that this year we have turned 246 old combines into practically new rebuilt combines, the KTP2M combines. These new combines have efficient hydraulic systems. They have a much more powerful Cuban engine, the Taino Engine. We are closely following the performance of these engines. We have some of the cutters right here. We have KTP2M combines that have harvested 50,000 arrobas. Brazilians have told me about combines that have harvested up to 40,000 arrobas. We are implementing a program [words indistinct]. In addition to the 246 KTP2M combines, we have distributed nearly 1,100 new, powerful engines. These engines were purchased for the harvest. Many of the old combines with the powerful engines are cutting more than they used to, but we intend to [words indistinct]. Next year we hope to have 500 rebuilt KTP2M combines. We have 500 combines. That is the least we expect for this year and the next.

With approximately 2,000 combines, and not 4,000 combines, we hope to [words indistinct]. With the rains the machines get stuck more often. If the harvest is suspended one, two, or three days because of the rains, the time lost must be recovered by grinding over 80, 85, 90, or 100 percent of the cane. To achieve this we must have the equipment in each mill, not only to grind 80 percent, but to grind 100 percent, every time it is necessary to recover lost time. This requires a great effort with our equipment.

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We have to refurbish our equipment through these methods, which are the most economical ones. To purchase one of those new combines could cost us as much as $100,000. We are now turning old combines into new ones with $25,000 and with Cuban components. I say $25,000 because that is more or less what we must spend to modernize, to adapt a modern, efficient hydraulic system so the engines are more powerful and so that the engine [passage indistinct]. We do not know how many trucks we save because 20-25 percent more sugarcane fits in one of those carts. There is a shortage of resources. We have to continue to work and to do things more rationally because there is a shortage of resources.

We have to modernize all our equipment by making it more efficient. We have to be more resourceful. Work is being done on that, and our companeros in the sugarcane sector and in the government are putting their heads together on that, but it is very encouraging to see solutions such as these, combines that can cut at least twice as much.

How much fuel would that save us if we harvested 6 or 7 million tons of sugar? How much money would we save? These machines have proven to us that they can work when the others stop because they have a more powerful engine and do a better, more even cut. We see advantages everywhere. We are going to be waging this battle during the special period. We are going to go ahead with many new, better things. That old combine, when we install a new machine and other things, is an excellent, new machine.

When a truck [words indistinct]. Do you know how many trucks we have that get 7 km per gallon? We have to modernize them but there are many parts of that truck that are useful and strong. We are going to be renovating all our equipment in the agriculture sector. We have to do the same thing in the rice sector as well as in other crops.

We have to make huge efforts to do the things that the historic circumstances demand from us at this time. It has been worthwhile to fight as we have fought, to resist as we have resisted, and to move on as we have been starting to move forward. We must first produce what we used to produce and do much more later. That is why this harvest has so much importance because all those who gave us financing for this harvest, when they see we are producing sugar, when they see we are meeting our goals, will give us the financing for the next harvest. We deliver sugar here and seek financing for next year there. A greater amount of financing is needed because these programs which I am talking about, including the machinery, require resources. We can obtain them if they trust us. This sugar mill's compliance with the harvest today has the same symbolic value. It is important that at the conclusion of the harvest we can say we have fulfilled our sugar production plans. That is why we cannot fail anywhere. We cannot be careless in any province. No sugarmill can be careless, and anytime a problem emerges, we must have a solution.

There are nearly 150 sugar mills in operation. The harvest is now at full speed. The days of more sugar production are forthcoming. We have estimated we will achieve a 1-percent increase in sugar yield. We are accomplishing this. The sugarcane is producing a sizable amount of sugar; we are getting more sugar at sugar mills. We are doing a good job and a great effort.

I don't want to tire you anymore. I just wanted you to have an idea about the significance of the task you have carried out; an idea of all that is done all over the country; and an idea about the need for everyone to do what you have done. Everyone should fulfill their objectives, the way you have.

In the sugar mills and in the fields, preparing the next harvest, we would be doing nothing by winning the battle this year and later experiencing a slowdown. We must continue to increase sugarcane production to the reasonable and decided-upon limit in order to produce a lot of sugar at low cost. The more sugar we produce with the sugar mills we have, the more workers in these sugar mills and the fields, the more we will get out of each machine, each piece of equipment, each dollar of fuel, each dollar of metal, each dollar in tires, each dollar in spare parts [passage indistinct] will help us achieve general efficiency in Cuba and win that confidence we so much need in order to mobilize resorces and be able to overcome the very difficult conditions we have sustained.

We can say we have a dignified people, with a glorious history, who have waged great struggles, with great merits.

When I travel on these roads I always think of and always remember those generations of Agramonte, Gomez, and Maceo, who fought so hard and traveled these same roads so many times. There was talk here of Candido, whom we loved dearly and whom we knew. Well, like Carlos said, this is the most honorable way to pay tribute to those who paid the highest sacrifice, those who fell.

When I arrived in this sugar mill and saw the big picture of Candido, I asked the driver to slow down and looked closely, remembering him and others. I wanted to know how similar the picture was to him, because I remember him as if I can still see him, as I am seeing any of you here in the front rows of this ceremony.

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There is nothing like the sense of dignity and honor, and nothing like the sense of patriotism and the pride of men and women of a revolutionary people. There is nothing like the pride you have earned. There is nothing like the satisfaction of fulfilling one's responsibility. That is why I congratulate you and thank you for these moments of great satisfaction and inspiration we have all received, because comrades told me it would be good to present the banner; they said the comrades need incentives. But those of us on the other side also need incentives. [applause]

I thank you on behalf of us all for that incentive, and consequently [words indistinct] socialism or death, fatherland or death, we will win! [applause]

## Haiti

### Haiti's Aristide Said 'To Impose' Prime Minister

*PA1602040796 Port-au-Prince Tropic FM in Creole 2300 GMT 14 Feb 96*

[FBIS Translated Text] A decision has not yet been reached on the choice of a prime minister. Former President Aristide has allegedly decided to make use of all his influence to impose a prime minister on President Rene Preval.

According to some sources, President Aristide is allegedly supporting current Prime Minister Mrs. Claudette Werleigh; however, we also learned — we do not yet have a confirmation — that Mrs. Werleigh has allegedly resigned.

We will point out that during a meeting held last night at the National Palace with some Haitian parliamentarians, the head of state said, quote, there must be a prime minister with whom I will feel at ease.

### Haitian President Rejects Choices for Prime Minister

*PA1602034096 Port-au-Prince Signal FM Radio in Creole 1230 GMT 14 Feb 96*

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] President Rene Preval, who met last night at the National Palace with several dozen parliamentarians about the choice of prime minister, says that the post does not necessarily have to be filled by a member of the Lavalas Political Organization [OPL] or the Lavalas Political Platform [PPL].

However, Chamber of Deputies President Fritz Robert Saint-Paul told the press on the morning of 13 February that the executive had rejected their choice of Messrs. Gerard Pierre-Charles, the OPL coordinator, or Frantz Verella as persons who should be chosen to become the country's prime minister.

According to Deputy Saint-Paul, the choice of those people was proposed by the Chamber of Deputies jointly with the PPL.

As regards the nature of relations between the executive and the Parliament, the president of the Chamber of Deputies says there is no disagreement, but instead a little divergence of opinion as to the profile of the person who should become head of the country's government. [passage omitted]

### Haiti's Preval: Prime Minister from OPL 'Not Required'

*PA1602035796 Port-au-Prince Signal FM Radio in Creole 1230 GMT 14 Feb 96*

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] Haitian head of state President Rene Garcia Preval met with several dozen parliamentarians last night. He visited Damien yesterday.

According to Rene Preval, the prime minister is not required to come from the Lavalas Political Organization [OPL]. The Haitian head of state pointed out that he needs an effective team, a group that forms a team with him to help Haiti move forward. President Preval says he would be at ease with a team... [pauses] that he is going to work, that he will be at ease to work to face difficulties in Haiti. [sentence as heard]

The negotiations should continue so they can manage to choose the prime minister as soon as possible. The negotiations must continue and will be carried out quickly. Given this conjuncture, he has not yet set a date to name the person he has chosen to become prime minister.

Meanwhile, the choice of the new prime minister could be published in about 48 hours, according to a source close to the president of the Republic.

### Haiti's Preval Continues Discussions on Prime Minister

*PA1602015896 Port-au-Prince Signal FM Radio in Creole 1230 GMT 15 Feb 96*

[From "The 0730 Appointment Newscast"]

[FBIS Translated Text] President Rene Preval continues his discussions with high-level officials from the Lavalas Political Organization [OPL] about the choice of a new prime minister to lead the government of the Republic. Preval continues the negotiations eight days after he officially took office as the new president of the republic.

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The new staff is already analyzing the names of several persons who might become prime minister by tomorrow, Friday [16 February], at the latest. Several names, including Gerard Pierre-Charles, Frantz Verella, and Chavannes Jean-Baptiste, proposed for the post of prime minister have already been rejected. The commission is still working. The president of the Republic and the OPL staff are considering the names of Dr. Ernst Mathurin, Suzie Castor, and Rosny Smarth for the post.

**Haiti's Fortune: Prime Minister Should Come From OPL**

*PA1602025596 Port-au-Prince Signal FM Radio in Creole 1230 GMT 15 Feb 96*

[From "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] Deputy Gabriel Fortune believes the prime minister should be designated... [pauses] the prime minister should come from the Lavalas Political Organization [OPL]. It is the only majority party within the Parliament. So, it is out of the question that he come from the Lavalas Political Platform [PPL], according to the Les Cayes representative, who explains that the Constitution must be respected.

[Begin Fortune recording, in progress] ...the letter of the Constitution [words indistinct] interpretation [words indistinct] we will say it is OPL, since the Constitution says the majority party. As for me, I do not want to do mean-spirited things with that. The PPL includes the Open the Gate Party, the Movement for the Organization of the Country, and OPL. However, OPL is the majority party within the platform, within the Lavalas group, and within the Parliament. So, [words indistinct] struggle and we are not waging a mean-spirited struggle. We are struggling with an arm which is the Constitution [words indistinct] the prime minister must be chosen from among us. We have an advantage: We have competent and honest men among us [words indistinct]. [passage omitted]

Deputy Gabriel Fortune, who was a victim in the 7 November attack during which Deputy Jean-Hubert Feuille was killed and who went to Canada for medical care, has returned to the country. He deplores the fact that even though Mr. Preval has known he won the elections for over a month, the PPL has not yet chosen a prime minister. This is a negative and grave sign, according to Deputy Gabriel Fortune. [passage omitted]

**Haitian Deputies Urge Lavalas as Prime Minister**

*PA1602043496 Port-au-Prince Signal FM Radio in Creole 1230 GMT 15 Feb 96*

[Report by Yvener Millien; from the "7:30 Appointment Newscast" — recorded]

[FBIS Translated Excerpt] [Announcer] Chamber of Deputies Vice President Kelly Bastien believes that the choice of a non-Lavalas prime minister would cause many difficulties in the lower chamber. Deputy Bastien says he thinks Lavalas parliamentarians must take advantage of this historic opportunity to have their rights respected. The following is a report by Yvener Millien. [Millien] If the executive does not choose a prime minister from the Lavalas Movement, that prime minister would have difficulty being ratified, Chamber of Deputies Vice President Kelly C. Bastien said. He added that if we are struggling for the Constitution, its principles must be respected. The vice president of the Chamber of Deputies thinks it is an historic opportunity for Lavalas parliamentarians to have their rights respected.

Furthermore, Bastien stated that even if our mother or father moves away from the principles, we will put them right, because if we cannot respect the rules of the game it will be difficult for us to work together. Bastien says he wants a prime minister who is not a puppet, who has political vision, and who can take the demands of the popular masses. Deputy Bastien added that the president is free to choose who he wants, but the prime minister must be a member of the Lavalas Organization [OPL]. [passage omitted]

The Cap-Haitien parliamentarian went on to say that the deputies will be more willing to ratify a Lavalas prime minister, who would implement the Lavalas program, instead of a prime minister who would define his own political program. Deputy Bastien says that during the meeting parliamentarians held with the executive on 13 February, the latter did not indicate an intent to choose a Lavalas prime minister.

[Bastien] The president does not show a tendency to want to choose someone from the parties that are around the table. He says he will choose someone who may be in the Lavalas sector, but who is not a member of the political parties. [passage omitted]

[Millien] For his part, Deputy Levelt Altidor, who is a member of the Finance and Interior Committee, thinks it is urgent to choose a prime minister. However, like Deputy Kelly C. Bastien, Deputy Altidor asserts that there are people who are competent, honest, and capable of working within the OPL. He went on to say it is not an issue for the executive to choose a prime minister

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who is not a member of the OPL, because anybody could say they are Lavalas partisans. So, according to Deputy Altidor, if the prime minister does not come from the OPL, it will be difficult for Haiti to have a prime minister in the next few days.

Concerning the choice of prime minister, a reliable source told us that Chavannes Jean-Baptiste has withdrawn, because he asked the OPL to officially propose him, and this was never done. Frantz Verella apparently refused to accept the job. For his part, Gerard Pierre-Charles seems to be on standby.

Anyway, the Lavalas deputies will apparently not make any concession with regard to Article 137 of the Constitution, which provides for the prime minister to be chosen from the majority camp. Yvener Millien for Signal FM.

**Haiti's Bernardin Denies 'Conflict' in Lavalas Camp**

*PA1602043796 Port-au-Prince Signal FM Radio in Creole 1230 GMT 15 Feb 96*

[Report by Yvener Millien; from "The 0730 Appointment Newscast"]

[FBIS Translated Excerpt] Senator Renaud Bernardin thinks the concerned parties must take the necessary time to make a good choice, to choose a good prime minister to lead the government of the Republic. The Lavalas Political Platform senator denies the existence of a conflict — which might be the cause of the slowness in nominating the new head of government — within the Lavalas family. Appropriate methods must be used so they can act well, but not emotionally, in choosing the new head of government, Sen. Renaud Bernardin said.

[Begin Bernardin recording] I think when somebody chooses to make consultations... [pauses] Consultation is something that takes time, consultation is something that requires consensus. It is preferable for us to take the necessary time and then have good results. This is what... [pauses] This is why I do not fear anything.

In my opinion, there is no breakdown. There would have to be conflicts within the Lavalas sector to have a breakdown. Actually, there is no conflict within the Lavalas sector. A consultation is being made, and everybody knows that consultations take time. [passage omitted] [end recording]

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**Mexico's Zedillo on Federalism, Economic Recovery**

*PA1502185796 Mexico City Radio Red Network in Spanish 0000 GMT 14 Feb 96*

[From "The Night Monitor" newscast]

[FBIS Translated Excerpt] We have a report on President Ernesto Zedillo's swift trip to Guanajuato before departing for another international visit, this time, to Panama. Here is Jorge Diaz with a report.

[Diaz] We have information on President Zedillo's trip to Guanajuato State. [passage omitted]

During this trip, President Zedillo received the report on the 1995-2000 hydraulic program in the city of Leon, Guanajuato. In Guanajuato the president referred again to Mexican federalism.

[Begin Zedillo recording] [Words indistinct] authoritarianism. We are determined to move on toward a presidential government better balanced by the other state branches, and toward a federalism that leaves behind the centralism that smothers the local initiative and energy. The new federalism — and this, we should be quite clear about — does not imply anarchy or the dismemberment of the Republic. On the contrary, the new federalism implies a clear institutional order in tune with and respectful of national unity, and should be based on the consensus and the agreements reached with each state. [end recording]

[Diaz] The president of the Republic told Governor Vicente Fox, of the PAN [National Action Party], that this is the moment to join wills and sacrifice differences, because the reform of the state will require everyone's responsibility in the exercise of power. Later, he spoke about the economic recovery slated for 1996. Zedillo said that from November 1995 to this date, the interest rates have dropped more than 30 percentage points, which indicates that Mexico is moving along the right path and that the government will not yield to the temptation of exercising administrative controls over interest rates. In the long run, he added, these controls lead to allocating too many credits and discourage individual savings.

**Mexico's PRD To Allow Maintenance Work at Oil Wells**

*PA1502163196 Mexico City Radio Red Network in Spanish 0000 GMT 14 Feb 96*

[Report by Dolores Gutierrez from Villahermosa, Tabasco State; from the "Night Monitor" newscast]

[FBIS Translated Excerpt] [Gutierrez] Andres Manuel Lopez Obrador, leader of the Party of the Democratic Revolution [PRD], has assured that the bolt will not be further tightened, and thus, he added, on 14 February party members and followers who have blocked 64 oil wells will allow Mexican Petroleum, Inc. [Pemex] personnel to reach Pemex facilities to carry out maintenance work after 16 days of blockade:

[Begin Lopez Obrador recording] We will give Pemex officials and others access to the wells on 14 February. Of course, our companeros will remain nearby. We will do this to show our willingness to reach an agreement. [end recording]

[Gutierrez] After meeting with local and federal deputies, and Senator Auldarico Hernandez Geronimo at the state's PRD headquarters, Andres Manuel Lopez Obrador reaffirmed they will resist for as long as they have to, and he added that the federal government is maintaining a very harsh stance in the negotiations. The PRD leader said he will travel to Mexico City on 14 February to meet with the party's national leaders and with Cuauhtemoc Cardenas Solorzano to learn about the development of talks at the Mexican Government Secretariat.

The former candidate for governor of Tabasco State said he knows nothing about an alleged request that an arrest warrant be issued against him. At this meeting with the full PRD leadership in Tabasco State, Andres Manuel Lopez Obrador on one occasion left PRD offices for his residence for an hour. There he presumably received several calls from PRD President Porfirio Munoz Ledo. Meanwhile, Governor Roberto Madrazo Pintado called for the prevalence of the state of law:

[Begin Madrazo recording] [passage indistinct]

As for Lopez Obrador's 12 February invitation to the president of the Republic to jointly visit Tabasco to ascertain the conditions facing those who reside in petroleum areas, the governor noted that the people of Tabasco always welcome President Zedillo's visits. [end recording]

[Gutierrez] On 13 February, with the support of an eviction team, Pemex technicians and 19 cargo trucks carrying machinery and pipes, reached the Jujo-18 Well in Huimanguillo. No PRD follower was arrested. [passage omitted]

Should the negotiations remain stagnant, as is the case so far, Lopez Obrador said he will return to Villahermosa early on 15 February, and thus, the PRD followers will automatically regain control of the oil wells.

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**Mexican Energy Secretary: No Privatization of Pemex**

*PA1502210696 Mexico City EL FINANCIERO in Spanish 13 Feb 96 p 10*

[Article by Victor Gonzalez and Georgina Tristan]

[FBIS Translated Text] Tula de Allende, Hidalgo, 12 Feb — Energy Secretary Jesus Reyes Heroles said Pemex [Mexican Petroleum] will neither be privatized nor become a party to a risky contract.

Reyes Heroles also announced that: "We will explore and study formulas that can allow for an increase in the influx of private capital to the sector in strict compliance with existing legal provisions.

He said the energy sector requires minimum investments of 250.7 billion pesos from 1995 to 2000, of which approximately 49.5 billion pesos correspond to the private sector, excluding investments in the secondary petrochemical sector.

President Ernesto Zedillo said a greater dynamism will be given to the energy market to support the competitiveness of the national industry. Zedillo said "high priority" will be given to the expansion of the petroleum sector.

(The magnitude of the expected expansion was not specified, but last December the Energy Secretariat said a 10-percent increase in the production of crude oil and a 14-percent increase in exports over last year's figures was planned.)

When presenting the Development and Reorganization Program of the Energy Sector for the 1995-2000 period, the president said the program is a fundamental step in strengthening the national sovereignty, in promoting a sustainable development, and in ensuring a better future for Mexicans.

Reyes Heroles said those who say that attempts are being made to privatize Pemex are wrong. He said, "We will promote these precepts (not privatizing Pemex and not signing a risk contract) with the same firmness with which we will promote private investment in the activities that have previously and recently been opened to the private sector.

At the time of their drafting, he said: "the formulas may have been good, but they may not be good today. The energy sector cannot avoid changes or avoid the passage of time."

Reyes Heroles said, "The petroleum policy has been drafted in accordance with the permanent principles that have emerged from our historic process and are contained in our Constitution," and added, "principles remain but programs are readapted to the new realities and possibilities."

That is why, he said, "a reaction in the face of this unavoidable reality of uncertainty is to cast anchor into the past, to think that the Mexico of today is the same one that existed 30 years ago and that it will remain the same 30 years from now.

"The other reaction in the face of this unavoidable reality" is to recognize that change is inevitable, to reaffirm principles, to raise the correct questions, and to seek, based on that limited information, the best interests for a Mexico in continuous development."

President Ernesto Zedillo said the energy program supports, respects, and reaffirms the provisions contained in Articles 27 and 28 of the Constitution and formulates a policy to support and exercise national sovereignty, in addition to guaranteeing its contribution to a vigorous, sustainable, and equitable development.

**In-Depth Reorganization**

The president said work in the fulfillment of the duties of the reorganization and development of the sector will be stepped up, and he recognized the role played by the private economic sectors.

"We intend to promote the activities at Pemex such as the refining, processing, and marketing of hydrocarbons until the first-hand sale is made," Reyes Heroles said when explaining that public enterprises in the sector will be strengthened, thereby contributing to private national and foreign investment.

He said that according to the proposals made by the Pemex labor union, part of the resources from the privatizations will be allocated for the strengthening of strategic areas in Pemex.

Likewise, Zedillo inaugurated 11 processing plants, which will produce hydrocarbons for vehicles and which in turn, will reduce pollution. They are part of a program of 35 plants, the final cost of which will be $1.747 billion.

In this refinery's installations, breeding ground of the leader of the Trade Union of Petroleum Workers of the Mexican Republic (STPRM), Carlos Romero Deschamps, the privatization of petrochemicals — in which significant progress has been made, according to the energy secretary — was once again questioned.

Jorge Wade, Institutional Revolutionary Party deputy and petroleum sector leader, said, "they (the government) will privatize the installations, but they will not have the support of the workers or of society." Wade added: "The little tiger is losing his stripes, he is no

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longer striped," he said referring to Reyes Heroles, because "apparently he has not inherited his father's nationalism," he added.

The evident absence of PRD (Party of the Democratic Revolution) members plus that of Francisco Curi Perez, who is also a PRD member and president of the Energy Commission of the Chamber of Deputies, was interpreted as a sign that they were also criticizing the privatization.

Reyes Heroles said that up until now, three companies have been registered to participate in the bidding of the Cosoleacaque complex and that additional technical information is required to put the other complexes and plants up for bids.

Meanwhile, Pemex Director Adrian Lajous said the oil industry is owned by all Mexicans, therefore, "those of us in the petroleum sector know that its nationalist management is a daily exercise of our sovereignty." He said that in order for it to continue, it must be modernized and made more efficient and competitive.

Finally, the directors of the Federal Electricity Commission and the Central Light and Power Company, Rogelio Gasca Neri and Jose Merino Manon, respectively, agreed it is necessary to solve the structural problems in the electricity sector, because it is the "country's engine room and the principal axis promoting development."

**Mexican Firm's Insolvency Prompts Market 'Uncertainty'**

*PA1502163496 Mexico City EL FINANCIERO in Spanish 13 Feb 96 p 6*

[Report by Irma Contreras and Eleazar Rodriguez]

[FBIS Translated Text] The news about the insolvency of Sidek Group sparked an atmosphere of uncertainty and anxiety in the domestic financial markets due to the growing fear of investors that most companies will be unable to face their commitments.

Thus, the domestic stock market registered drops for a second consecutive day, the peso was again the target of speculation, and the secondary interest rates registered generalized increases.

For a couple of hours, the leading stock indicator made participants restless by registering a drop of up to 75 points at 1135 hours and reaching a minimum level of 2910.85 points.

The securities of Sidek and Situr plummeted, the demand made to the traders was to sell at whatever price so as not to incur even greater losses.

However, when the index approached 2900 units, investors, mainly institutions, decided to take advantage of the rebound of certain securities, although in a moderate manner.

Thus, the Prices and Quotations Index [IPC] closed yesterday with a drop of 34.54 points (1.16 percent), compared to the day before, reaching 2950.57 points during an average trading session.

According to traders on the auction floor of the Mexican Securities Exchange [BMV], the IPC displayed weakness from the first minutes as orders to sell were received.

On this occasion, the fear of local and foreign investors was fueled by the scarce information offered by the Jalisco conglomerate on its restructuring, and the prospects of an upsurge in the primary interest rates.

Intermediaries argue that an increase in domestic interest rates is necessary due to the high inflation levels reached in January, but at the same time, it slows down the country's economic recovery.

"Due to the uncertain atmosphere, it is better to maintain selective purchases, particularly in extractive assets, and take advantage of market fluctuations," an Oppenheimer specialist mentioned.

It is worth stressing that the contraction of prices was accompanied by a regular volume of 78 million shares and the participation of 104 issuers, of which 65 lost, 13 won, and 26 registered no change.

From the technical viewpoint, the IPC remained at 2910 points; therefore, the drop continues within the sideline [lateralidad] parameters.

Contrary to this, in Wall Street, not only did the Dow Jones Industrial Index break its sixth consecutive record, but it broke the barrier of the 5600 units by registering a gain of 58.53 points (1.06 percent).

With this level, the New York Stock Market surpassed the most optimistic expectations made by analysts for the short run.

Meanwhile, in the stock market, the wholesale trade of the green currency began the week on the rise, as a result of the prevailing demand for dollars by both local and foreign investors.

The same day, the value increased five cents compared to the previous day; the 24-hour contracts rose 325 ten thousandth and so did the 48-hour spot.

The price for that same day reached over 7.51 pesos for its purchase and 7.52 its sale. The 24-hour contracts

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closed at 7.515/7.525 and the spot ranged between 7.52 and 7.53.

In retail transactions, the dollar reached 7.45/7.55 units, which did not represent any change compared to its closing price on Friday.

Participants were in the buying mood, influenced by the BMV's negative trend, which triggered top prices of 7.545 pesos in the spot sales.

Since the participation of foreign and corporate investors was greater than the one registered in previous days, the volume traded turned out to be good.

In addition, the government and banking interest rates maintained an upward trend in the secondary market in response to the constant increase in the interbanking dollar, as well as the levels of intervention determined by the Bank of Mexico.

When the day began, the yield of government securities was 34.55 percent and ended at 36, which resulted in an increase of 45 cents compared to the previous day.

In the meantime, the yield of bank papers began the auction at 36.10 percent and closed at 36.50, that is, registering a gain of 80 cents, compared to the last figures registered on Friday.

**Mexico, Spain Sign Agreements on Information Exchange**

*PA1502190096 Mexico City NOTIMEX in Spanish 0118 GMT 15 Feb 96*

[FBIS Translated Text] Mexico City, 14 Feb (NOTIMEX) — The Commerce and Industrial Development Secretariat (Secofi) disclosed that Mexico and Spain signed today a cooperation agreement that will allow the exchange of information on investment, technological innovation, and industrial financing.

The Secofi indicated that the document was signed by the National Council of Micro, Small, and Medium-sized Companies and the Spanish Institute of the Small and Medium-sized Industrial Enterprises.

The agreement stipulates that more than 95 percent of the Spanish and Mexican productive sectors are comprised by the micro, small, and medium-sized companies.

Decio de Maria Serrano, the Secofi's under secretary for the Promotion of Industry and Foreign Trade, signed the agreement on behalf of Mexico. Serrano stressed the significance of strengthening technical cooperation for the sake of the progress of the two countries.

Antonio Garcia Tabuenta signed the agreement on behalf of Spain. Garcia noted that the exchange of experience, training, and advice between Mexican and Spanish companies will help optimize the resources assigned to this sector.

The Secofi pointed out that this agreement will enable the parts to study and coordinate the implementation of support measures to promote the competitiveness of the micro, small, and medium-sized enterprises.

**Analysis: Mexican Peso Devaluation Ends Period of Growth**

*PA1502205096 Mexico City EL FINANCIERO (ANALYSIS Supplement) in Spanish 13 Feb 96 p 3A*

[Report by Victor Felipe Piz]

[FBIS Translated Text] The 119-percent aggregate decline in the value of the Mexican peso in relation to the dollar since the start of the Ernesto Zedillo administration has eliminated overvaluation of the exchange rate but ended eight years of GDP growth.

The measures adopted to correct the current account imbalance increased inflation and decreased interest rates in real terms to the detriment of domestic savings, according to a study by EL FINANCIERO's economic analysis department, based on information issued by the Bank of Mexico.

The weakness of our currency in relation to the U.S. dollar is apparent again, and although the exchange rate is highly undervalued, it surpassed — after nearly one month — the 7.5 peso per dollar mark on the interbank market on 12 February.

The people's demand for dollars to cover themselves for any eventuality, the latest stock exchange plunge, expectations that inflation will remain high, and the climate of tension that prevails in Tabasco were the main factors that prompted financial institutions and foreign investors to buy foreign currency.

As a result, in the secondary market, the cost of money has increased and this has led intermediaries to expect a marginal increase in primary yields of Cetes [treasury certificates] today that would slow down economic recovery.

The peso depreciation — of 2.8 percent since 22 January — and higher estimated consumer price indexes have combined to make a decrease in national interest rates difficult.

For the players in the exchange and money markets — the former registered lively activity yesterday while the latter had relatively little — an increase in the leading interest rate would be unhealthy for the financial

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system and for production, which reportedly dropped by 7 percent in real terms in 1995.

Bringing the current balance of payments closer to equilibrium meant decreasing the purchasing power of the national currency, that is, devaluing it to increase the competitiveness of the price of merchandise manufactured by Mexican companies.

There were positive results, because a trade deficit was turned into a surplus. From December 1994 to December 1995 the country accumulated a positive trade balance of $5.661 billion.

The peso devaluation, however, reduced the population's buying power, because prices increased 59 percent since the start of this administration.

This, in turn, decreased the yields in real terms of financial instruments denominated in pesos.

In the first 14 months of Ernesto Zedillo's government, the annual yield of 28-day Cetes was 14.57 percent, although the yield was only .04 percent over the same period during the previous regime.

Despite this, the authorities will not lower the cost of money if the dollar and prices do not allow them to do so. Exchange rate parity and the general level of prices can be influenced through an interest rate increase that the central bank can prompt through internal credit.

These two variables are basic for the current monetary policy. According to the Bank of Mexico, "exchange rate stability does not depend on a finite amount of international reserves that can be depleted rapidly, but on the regulation of liquidity."

The authorities can also "combat inflation by adjusting the conditions under which they grant primary credit."

The elevation of the range ceiling and adoption of a floating exchange rate — that have been in effect since 22 December 1994 — caused the peso to drop in relation to the dollar by 4.0870 units on that very day in the little more than 14 months of the Zedillo administration.

Given the current inflation difference between Mexico and the United States, one could conclude that a major devaluation of our currency allowed us to correct the exchange overvaluation; the exchange is closer to equilibrium at present.

This situation and greater peso competitiveness depend on the flow of international resources, the amount of reserves in the hands of the central bank, and in particular, on the trust of or risk perceived in the country by institutional investors.

The negative results of the devaluation were the slowdown in economic growth, increased inflation, and lower real term interest rate yields.

**Mexican Parties Agree on Mayor Election Reform**

*PA1502162896 Mexico City LA JORNADA in Spanish 13 Feb 96 pp 1, 48, 44*

[Report by Victor Ballinas and Alonso Urrutia]

[FBIS Translated Text] After 15 months of discussion, most of the political parties reached an agreement that will pave the way for political reforms in Mexico City. Among the main points are direct elections for mayor and indirect elections for delegates. In addition, it was agreed that the political representative body will be called legislative assembly, and will have the power to elaborate the public security law and to modify the government's statute.

Another important point was to expand citizens' participation programs to incorporate the consultation of the government's actions or laws for their approval, ratification, or derogation.

The PRD [Party of the Democratic Revolution] did not endorse this agreement because the PRD leaders in Mexico City will examine this matter today with the PRD National Executive Commission. Although PRD Coordinator Javier Gonzalez admitted that there has been progress and that many of their proposals were accepted, the PRD will examine their position because one main point — the direct elections of delegates — was not included. Leaders Roberto Campa Cifrian of PRI [Institutional Revolutionary Party], Gonzalo Altamirano Dimas of PAN [National Action Party], and Francisco Gonzalez of PT [Labor Party] signed this agreement.

Campa Cifrian described this agreement as "historic" and indicated that this reform was "almost finished." The PAN representative said this program was inadequate for electing delegates. Meanwhile, PT leader Francisco Gonzalez spoke of historic advancements, although he also considered that this reform was inadequate.

This document contains 27 points and will be submitted to the central board of the Government Secretariat so that the Congress of the Union may approve these legislative reforms in April at the latest. However, its approval will depend upon advancements that are made on national reforms in various areas like elections or the Judicial Branch.

After an *impasse* in negotiations, the Government Secretariat of the Federal District again began to hold individual meetings with the political parties about two weeks ago.

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**The Agreement**

This document — which the majority of the political parties approved — contains many provisions regarding the appointment of the Mexico City mayor. It provides for direct elections of the city mayor on the first Sunday in July 1997 for a three-year term on this occasion. This term will be extended to six years in future elections.

The first point underscores the distribution of powers between the federal executive branch and the local government. It emphasizes that the general criteria for making this distribution will be whether the performance of duties "involves the clear and unmistakable interest of the federation or whether it is linked to the interests of the Federal District."

This agreement establishes that the Public Force will be under the authority of the Mexican president, who will appoint its director based upon the proposal to be made by the current mayor of the local government. Regarding security, the Legislative Assembly will elaborate laws on security and police forces.

The mayor of the local government will appoint the attorney general of the Federal District. This appointment, however, should be ratified by the local legislature.

Regarding requirements for government elections, these will be the same as those established at the federal level for other posts that are elected by the people. The principle is clearly established that there will be no reelections.

The reasons for dismissal will be those established in Title IV of the general Constitution — which are foreseen in Article 122 of the same law and in Article 68 of the government's statute — and will include, among other possibilities, the process for a political trial.

This agreement points out that reasons for dismissal that relate to actions or omissions that involve conflict with the federal government will be subject to a process of constitutional dispute at the Supreme Court of Justice.

However, it establishes the elimination of the Senate and Congressional Permanent Commission's authority to order the removal of the head of state. This removal will only be valid in the cases of political or legitimate trials.

In the cases the trial is prompted by the violation of the laws issued by the Legislative Assembly or official responsibilities the Assembly establishes from the scrutiny of the Public Account, said legislative entity will be empowered to promote before Congress a political trial.

Similarly, political parties agreed that the president of the Republic should appoint his replacements in cases of removal or definitive absence, but the Assembly will have to approve said nomination.

The Assembly will also approve the leave that the head of state may request for a maximum of three months, and will only be able to grant two consecutive leave permits.

Another improvement is the establishment of the Federal District Legislative Assembly, which will have authority in areas so far restricted, such as public security. It will also have the authority to approve the government statute, namely the guidelines that will govern the relationship between federal and local powers.

One of the areas that will not fall under the responsibility of the Legislative Assembly is the appointment of executive and judicial public servants.

It is also accepted that the political entities remain as entities separated from the Federal District public administration. In addition, there will be an indirect election of their leaders by a two-thirds majority of the Legislative Assembly from a list of three candidates presented by the chief of the executive.

The removal of delegates will only result from the causes established in the law and the authority to remove delegates falls under the head of state, who should inform the Assembly the legal grounds for his removal.

As a mechanism of participation the legally established election is created, which will have "approbatory, validating, or repealing" effects "concerning the local laws, administrative regulations, or government decisions." It establishes that the government statute and a specific law promulgated by the Assembly will be the basis to call for elections, the procedures governing it, and the convening entity.

Additionally, the Legislative Assembly will promulgate the local electoral law. The agreement states that the president of the Republic will decide on the removal of the official who commands the public force, but his removal "will not exonerate him, nor will it exonerate his immediate superior, for the offense he may have committed."

It was said that metropolitan coordination, which requires a mandatory system under constitutional provisions, will be reviewed.

PRI leader Campa Cifrian highlighted that "we defend the political rights of the residents of the city. The direct election of the mayor represents a step forward for governability; there will be mandatory metropolitan coordination and a local electoral law. Finally, authorities resolved the conflict stemming from the 1857 and 1917 Constitutions: Incompatibility."

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Later in the interview he commented "a reform already exists. The document has been nearly completed in the form of a draft bill. It will now depend on the progress of the national reform to develop."

The stand of the PRD will be defined today when the proposal will be assessed, although to begin with there are some differences regarding the weight the reform would have for political delegates.

Armando Quintero, member of the PRD executive commission, expressed that the document was a government proposal it "wanted to impose" without the approval of, at least, the PRD.

Meanwhile, Rene Arce, also a member of the collective leadership, stated that there are some points that must be discussed, especially the issue concerning delegates. We must recognize, he added, that many PRD demands were included in the document and many the PRI did not propose.

On behalf of the PAN, the party's Mexico City leader said that they had to yield in some points, but, nevertheless, great progress was made. Meanwhile, PT's Francisco Gonzalez concluded this is a historic agreement and that the direct election of the mayor is an important step in the democratization of the city.

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## Guatemala

### Guatemala's FSLN Said Satisfied With Peace Process

*PA1502135996 Guatemala City PRENSA LIBRE in Spanish 13 Feb 96 p 17*

[Unattributed report]

[FBIS Translated Text] Radio Sandino Director Orlando Gomez stated yesterday that the Sandinist National Liberation Front (FSLN) had expressed its satisfaction over the likelihood of a resumption of peace talks between the government and the Guatemala National Revolutionary Unity (URNG), and urged both parties to expedite the negotiation in order to rapidly bring the internal armed conflict to an end.

Government representatives disclosed in Rome, Italy, that Army and URNG representatives have been conducting private meetings since this past December aimed at reaching to a peace agreement that will bring an end to 35 years of armed struggle. Yesterday, both sides signed a joint communique in this European city stressing their political disposition to continue with the peace negotiations.

Gomez, member of a committee of FSLN candidates vying for a seat at the Central American Parliament (Parlacen) during the general elections scheduled to take place in Nicaragua on 20 October, is currently in Guatemala together with Commander Victor Tirado Lopez and Xanthis Suarez Garcia.

*Although obstacles will always arise in any peaceful negotiation, it is important to the Isthmus that progress be made in the Guatemala peace process. This pleases and satisfies everyone especially all Nicaragua since we are also well acquainted with the situation this country is currently experiencing,* Gomez pointed out.

According to the Sandinist leader, once the parties involved are able to put the country over and above individual interests, and the social needs of the population are met, only then will definite peace be accomplished. "The search for solutions to social inequalities is the basis for reaching a peace agreement," he stressed.

*Nicaragua, which also went through an armed conflict during the beginning of the 1980's, similar to Guatemala's, expresses its hopes for the peace all Guatemalans are seeking to be attained as soon as possible. We believe that once the internal conflict has ended, Central American integration will became more feasible with each passing day,* Gomez stated.

### Twenty Seats Available in Parlacen for Nicaraguan Deputies

On the other hand, Tirado Lopez announced that for the first time, Nicaragua is preparing to select its representatives to the regional forum and that 20 candidates have been selected.

In this respect, the former rebel commander pointed out that if they are elected, they will all work to raise the credibility and reliability of Parlacen since *currently this organization has not lived up to its true integrationist role*, according to Tirado Lopez.

## Honduras

### Honduran President on Salvadoran Border Demarcation

*PA1502172796 Mexico City NOTIMEX in Spanish 1458 GMT 11 Feb 96*

[FBIS Translated Text] Tegucigalpa, 11 Feb (Notimex) — Honduran President Carlos Roberto Reina said today that the demarcation of the border with El Salvador, which will begin on 12 February as part of a program to be implemented this year, is a "national objective."

"We fully agree with Salvadoran President Armando Calderon Sol that there should be no misunderstandings between both countries," Reina told Notimex.

On 12 September 1992 The Hague (The Netherlands) International Court of Justice delimited the terrestrial and maritime border between Honduras and El Salvador, solving a dispute that both countries had maintained for over a century.

In 1996 both governments plan to delimit 100 km of the terrestrial border, which comprises 371.5 km. A total of 112 km were already delimited in previous years.

A Binational Demarcation Commission headed by Ramiro Recinos and Raul Andino, of the Salvadoran and Honduran Foreign Ministries the work at the border. [sentence as received]

Reina noted that the acquisition of high technology equipment to carry out the demarcation has been accelerated, since traditional methods would delay the works.

It has been estimated that purchasing modern equipment for the demarcation will cost approximately $3 million, which Sweden has offered to donate.

Reina stressed that in order to maintain good relations with El Salvador, it is necessary to comply with the rest of the ruling, that is, to respect the rights acquired by citizens of both countries affected by the court's decision.

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Approximately 12,000 Salvadorans have remained in territories that The Hague Court assigned to Honduras. They are demanding that their acquired rights be respected, including land ownership.

In an effort to resolve the human problems derived from the court's ruling, in 1994 both governments created the Honduras-El Salvador Binational Juridical Commission, which will meet in Tegucigalpa on 28 and 29 February.

**Honduras: Fugitive Officer Asks For Protection**

*96P20282A San Jose LA NACION in Spanish*
*5 Feb 96*

[Received via Internet]

[FBIS Translated Text] It was reported Sunday that an army officer, a fugitive since October 17, 1995, has asked the Human Rights Commissioner for protection.

Commissioner Leo Valladares said that the officer asked for anonymity until he appears before the court to give testimony.

Last October a civilian judge ordered the detention of Colonel Alexander Hernandez, then Public Security Inspector, retired Major Manuel de Jesus Trejo, and retired Captain Billy Joya. The three officers are still at large in spite of the fact that the arrest warrants are still outstanding, and that last January 27 the new Armed Forces Commander General Mario Hung Pacheco had issued an appeal for them to surrender.

In July 1995, the Honduras Human Rights Prosecutor sued ten officers of the armed forces, some active, some retired, for the temporary disappearance of 6 university students in April 1982.

Among these are the three fugitives; one of them is Colonel Alexander Hernandez, who, according to unofficial versions spread last Saturday in Tegucigalpa, would have taken refuge in a foreign embassy.

In a few days Human Rights Prosecutor Marlina Dubon will be traveling to Canada to accompany judge Roy Medina and representatives of a private human rights organization. The purpose of the trip is to interrogate three ex-members of "Battalion 3-16," an intelligence unit of the Honduran Armed Forces.

Human rights organizations blamed Battalion 3-16 for many of the cases involving forced disappearances in Honduras during the eighties.

The three ex-members of 3-16, who took refuge in Canada at the end of the last decade, were involved in some disappearance cases, according to what has been reported in that northern country.

According to a report presented by Commissioner Leo Valladares in December of 1993, some 184 persons have disappeared, counting foreigners and natives, during the eighties in Honduras.

The report points to army personnel and civilians as being responsible for the forced disappearances.

## Nicaragua

**Nicaraguan Minister Orders Sale of All Banic Shares**

*PA1402164296 Managua BARRICADA in Spanish*
*13 Feb 96 pp 1, 8*

[Report by Javier Rayo Salle]

[FBIS Translated Text] Finance Minister Emilio Pereira Alegria ordered members of the Board of Directors of the Nicaraguan Industry and Trade Bank [Banic] to sell all the bank's shares, Monica Baltodano, a member of Banic's Board of Directors, reported yesterday.

Minister Pereira sent a letter to Banic's Board of Directors on 19 January giving them until 30 March to issue the shares after evaluation by a company such as *Price Waterhouse*, and to sell them in the stock market before 30 June, Baltodano said.

In his letter, Pereira said that the valuation of Banic, and the emission and sale of stocks, should be done in close coordination with the international consultants which the World Bank and the IMF have in Nicaragua, "which constitutes the clear intervention of those organizations in the country's internal affairs," Commander Baltodano added.

Baltodano accused Pereira of acting "in a submissive way, not as a minister, but as an official of the IMF and the World Bank."

"It is no longer a matter of meddling by international organizations in macroeconomic policies, or key decisions, but they are now involved in operational areas to implement their formulas, going backwards almost a century when the *yankees* even told the president which clothes he should wear," Baltodano said.

According to the law, Banic's Board of Directors is integrated by seven members: three delegates from Cosep [Higher Council of Private Enterprise] (Benjamin Lanzas, Martin Barcenas, and Enrique Salvo); two government members (Gerardo Salinas and Leonte Lola); and two from the leading opposition party, the FSLN [Sandinist National Liberation Front] (Monica Baltodano and Rene Nunez).

Baltodano believes that one of the financial problems of the state-owned banks is the subjection of its directors

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to the governments most arbitrary decisions whose officials tell them to whom and how much they can lend, as in the case of the banana plantation owners and the cattlemen.

**Illegal and Unacceptable Sale**

Baltodano said that "as a member of the Board of Directors, she observed the tendency to shove aside the directors, and they also want to conceal information regarding this sale from two directors, Rene Nunez and me, because they know it is illegal."

Baltodano denounced that the sale of Banic "is being conducted in a clandestine way, *under the table*, and that the same is being imposed by the IMF and the World Bank, and without the proper approval by the National Assembly."

She stressed that since September 1995, within the framework of the commitments of the Bridge Plan, the IMF and the World Bank ordered to sell or completely close the Banic, but the directors proposed to the executive the option to capitalize it via the sale of new shares, thus transforming it into a jointly-owned bank.

"None of the directors who represent the FSLN signed any document to preserve the Banic as a bank to promote development that would mainly target small and medium production and prioritized economic activities, which do not receive attention from private banks," she indicated.

The proposal made by the directors was to set aside approximately 20 percent of the shares for the state, another percentage for local investors, approximately 12 percent for Banic employees, and the remaining 51 percent for foreign investors, mainly banks.

"This is an unacceptable situation. We are asking the society, the deputies, and the government itself to investigate the clandestine sale of the Banic, and that this issue be subject to a public debate," she urged.

According to Baltodano, to transfer the overdue portfolio to Cobranica Inc. — a company of dubious legality — is tantamount to reducing the size of state banks, and in the case of the National Development Bank, it will be reduced to such an extent that after a few months, it will go bankrupt and consequently, hundreds of employees will be left jobless.

The argument by the international organizations, shared by other Banic directors, is that the state banks are inviable and should close operations.

However, a similar recommendation was made to Banco de la Provincia of Buenos Aires, Argentina. The only difference was that in that country, the directors rejected the proposal and decided to implement an Adjustment Plan with Growth, with a national vision.

Among other measures, the directors of that Argentine bank eliminated the government intervention in their decisions, without the bank ceasing to be a state bank. As a result, the bank's financial and economic situation improved after three years.

## Panama

**Mexico's Zedillo Addresses Panama's Chamber of Commerce**

*PA1502185196 Panama City Radio KW Continente in Spanish 1807 GMT 14 Feb 96*

[Speech by Mexican President Ernesto Zedillo at the Horacio Alfaro Room of the Panamanian Chamber of Commerce, Industries, and Agriculture in Panama City — live]

[FBIS Translated Text] Mr. Foreign Minister of Panama; Mrs. Commerce Minister of Panama; Mr. Juan Jose Vallarino, president of the Chamber of Commerce, Industries, and Agriculture of Panama; Mr. Doyen of this Chamber; Ladies and Messrs. businessmen of Panama:

I am particularly pleased that within this state visit I am able to meet with such distinguished businessmen of the Republic of Panama. I want to say that my visit to your fatherland today is very important to my government and to Mexicans. Historically, between Mexico and Panama there has been great reciprocal affection and a great friendship, and at decisive moments in the history of our countries, there has also been great solidarity.

I must, however, admit that due to certain historical circumstances in not very distant years, the relations between our countries were somewhat distanced, and the traditional contact between Mexico and Panama did not develop as our peoples would have wanted. The circumstances are now different and ever since I had the pleasure of meeting Panamanian President Don Ernesto Perez Balladares as Mexico's president-elect, we established a very firm and serious commitment: to use the instruments at the reach of our diplomacy and at the reach of our economic policies, with regard to relations with other countries, to establish a rapprochement leading to better, stronger, and closer relations between our two sister nations.

I had the great pleasure of meeting with President Perez Balladares at various forums and in all those occasions I was able to confirm our friendship, affection, and commitment to improve relations. Today, I have the

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opportunity to make this state visit and I advance that its results will be highly satisfactory for the two countries.

Before mentioning the agreements between our countries at the government level, I wish to summarize the great efforts that Mexico has made in past years to transform its economic, social, and political life. Out of necessity and conviction, Mexico a decade ago started a very profound process of economic structural changes. This profound process has involved an opening of our economy, an opening to international commerce, and also a domestic liberalization of our economy, because we are convinced that only the strength of society, the participation of free individuals will bring about the enormous untapped capabilities that Mexico has to develop.

This has been a continuous process; a process that in 1995 faced a difficult test due to a financial crisis that you are well aware of and that affected and continues to affect our country in a significant manner. I, however, want to say to you that this severe test that Mexico faced has not and will not divert us from our goal of making structural changes to our economy. Quite the contrary, if we learned anything about the financial difficulties we have faced since 1995, we learned that the structural changes were, at any rate, insufficient or that they should have been adopted earlier.

Thus, we are determined to maintain ourselves on the path of opening, liberalization, and modernization of our economy; this is a firm and indeclinable decision, and we are certain that it will yield for our country the results that Mexicans are expecting in terms of welfare.

I also want to say to you that thanks to the efforts made by Mexicans, a great effort motivated by great determination and great commitment, we can now foresee the recovery of the Mexican economy. We are convinced that thanks to the stabilization effort of 1995 and thanks to the decision to continue applying with great courage the structural changes to our economy, in 1996 we will see the start of our economic recovery. We are also certain that beginning in 1997 Mexico will have a dynamic economy, an economy that will generate the jobs and the revenues that the Mexican population is justifiably demanding.

I want to tell you that in our country people are fully aware that nations can no longer develop isolated from the rest of the world. Times have changed and the economic models that had experienced some sort of success in the past by placing a greater emphasis on the domestic market and protectionism against trading with other nations will see that these times have gone by and will not return.

Today the key to the development of nations lies in productivity, in being able to adapt to international currents of trade and investment based on policies that place an emphasis on free trade and free flows of investment.

Mexico is practicing this policy and it is important to note that it is not only practicing it with its North American neighbors. In fact, before signing the NAFTA, Mexico negotiated and reached a free trade agreement with Chile. That free trade agreement, which has been in effect for three years, has already yielded magnificent results for both countries. We have the NAFTA, which has already been in effect for two years. From our point of view, this agreement has produced highly satisfactory results for the three member countries. On 12 February, I held a telephone conversation with the Canadian prime minister and we mutually congratulated ourselves for the results of the NAFTA, even despite this difficult test year, 1995.

We also have an economic complementary agreement with the so- called Group of Three, with Colombia and Venezuela. This agreement has been in effect for a year and we are sure that as the Mexican economy recovers, this agreement will produce its greatest benefits without a doubt. We also have an agreement with Bolivia, which in the course of a few years will totally deregulate our trade flows. We also have a free trade agreement with your neighbor country, Costa Rica, which is also producing satisfactory results for both countries.

That is why my government received with great interest in December 1994, the proposal made by President Ernesto Perez Balladares, who called for the exploration of the various areas in an effort to determine ways to totally deregulate our trade relations. These preliminary and informal talks, which have been held over the past year, will have a successful conclusion in some way today

This morning, in the formal talks I held with Mr. Perez Balladares, our governments made the commitment to work in favor of both countries and deregulate our foreign trade and our reciprocal trade. [applause]

Mr. Perez Balladares and myself intend to hold a responsible, honest negotiation with the important participation of the private sectors of both counties through the proper mechanisms of consultation and sign a free trade agreement between our countries as soon as possible.

The future of Latin America is the future of our countries. The economic aspect will, to a large extent, depend on the efforts we can make to integrate our economies

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and to reap the benefits of the huge comparative advantages we have as nations and as a region. I am sure that this political commitment, which President Perez Balladares has reiterated and which I support with great pleasure and satisfaction will be a very important step not only for Mexico and Panama, but will also be an important step for the entire Latin American region.

In this future treaty, the private sectors of Mexico and Panama will have a very important role to play. We share this free trade commitment. We must realize that even though our countries have been making great efforts for deep structural changes, it is also true that other countries have also been making intense efforts for change, even more intensely than our own countries. That is why it is very important not to be self-complaisant with what we are doing because there are others who are doing it faster and, sometimes, better. If we want to participate in world development for the benefit of our own peoples in the 21st Century, we must not only have the political decision of governments, but also the determination, the support, the commitment of our private sectors.

I want to tell you that this process of economic change can be seen as part of a more extensive, more ambitious overall process, meaning the deep transformation of our societies, the deep transformation of our [1-second break in reception] for the sake of a more equitable development, for the sake of a more dynamic development that can provide the well-being demanded by our peoples. In this regard, Mexico, in addition to its decision to promote a process of economic change, is also trying to achieve a process of political transformation in the framework of the law and in the framework of a political dialogue that can achieve the consolidation and the strengthening of our democratic life.

We are sure that this element will give a greater stability to aspects of economic development. I, as president of Mexico, am very pleased to see that this call, this commitment for dialogue and strengthening of democracy in our country is getting the support of the leading political parties and groups in Mexico. I am sure that thanks to these processes of economic change, of political change, we will also make the social progress demanded by our fatherland. I am certain that Mexico's future, thanks to the efforts of all Mexicans, will see prosperity. We want this to be a shared prosperity with our brothers in Latin America, with our brothers of Panama. Thank you very much. [applause]

**Panamanian Minister, Mexican Official Hold Conference**

*PA1502205296 Panama City Radio KW Continente in Spanish 2225 GMT 14 Feb 96*

[News conference by Panamanian Foreign Minister Gabriel Lewis Galindo and Mexican Foreign Secretary Jose Angel Gurria moderated by Panamanian Foreign Ministry Spokesman Eric Rodriguez with domestic reporters at the amphitheater of the Palace of Herons in Panama City; broadcast in progress — live]

[FBIS Translated Text] [Lewis Galindo] ... world congress on this issue and Mexico is very receptive to the creation of the center that President Perez Balladares proposed at a Rio Group meeting in Quito. An inter-American center to fight drugs and train personal for this purpose would be established in the reverted areas.

In the cultural area, we received full support for the great idea of establishing the City of Knowledge. Mexican university rectors already visited and specific action plans were coordinated [words indistinct] world congress on the Panama Canal in September 1997.

We also signed an aviation agreement and one eliminating visas with Mexico. In general terms the schedule for this visit was very well planned and I congratulate the teams from both countries for these achievements. Messrs. reporters, I am at your disposal and [words indistinct] Gurria, who represents President Zedillo at this (?news conference).

[Rodriguez] We will now move on to a question and answer period for the sake of those who are following this live broadcast. I urge the reporters to wait for the cordless microphone before speaking to allow everyone to hear your questions. The first question will come from (Manolo Abre) of LA PRENSA...

[Station announcer Jose Felix Barrera, interrupting] Dear listeners of KW Continente, you heard the Panamanian foreign minister explaining the agreements signed not long ago in one of the main halls of the presidency of the Republic. A question and answer period will follow. The first question pertains to the petroleum debt.

[Gurria, in progress] ...by the two persons responsible for the finance ministry. An agreement established the bases to settle the debt. As you know, the debt consists of little more than $60 million in capital plus interest. This will be discussed in upcoming days and weeks. The two parties agreed to do so within the next 30 days, that is, to complete discussion by 14 March at the latest. We must agree on a methodology to determine the interest rate that will be applied, the interests that must be

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paid, and certain technical and methodological aspects. The Mexican Government would like to voice its enormous satisfaction because this issue will be settled thanks to the great disposition shown by President Perez Balladares as well as the officials of the Finance, Planning, and Foreign Ministries of Panama.

This matter had been pending for quite some time. There was nearly constant communication on this matter to devise different solution schemes. In reality, given this very clear, deliberate, and well-received desire of the Government of Panama to settle this matter, we are on the verge precisely of a definitive solution.

As I said, officials from the Secretariat of Finance, the Ministry of Planning and Economic Policy in the case of Panama, and the Central Banks will work out the numbers and details in the coming days. But certainly, as the Panamanian foreign minister stated, this is one of the most important matters we were to resolve on this visit.

[Rodriguez] Thank you, Mr. Foreign Secretary. The reporter of Cadena Exitosa Radio News Department will take the next question.

[Reporter] One of the most important aspects of the meetings that you have held concerns a free trade agreement. We would like to ask in the first place to our Foreign Minister Gabriel Lewis Galindo, what does Panama expect given that in recent years commercial exchange favors Mexico? And I would like to ask the Mexican foreign relations secretary, what are the expectations? Does Mexico believe that a free trade agreement between the two countries would facilitate Panama's incorporation into NAFTA?

[Lewis Galindo] I see advantages in both directions. First, the objective of Panama is to become a product redistribution center for the entire world. We must take advantage of our geographic position. We are located on the Fifth Avenue of world traffic. We must use that geographic position to move international trade cargo from here to different parts of the world. We want Mexican products to come here and be shipped out to the East.

We must remember that Mexico is an important member of APEC [Asia-Pacific Economic Cooperation], the economic group that emerged in the East and which is perceived as the most important economic group of the 21st Century. With the support of Mexico and other friendly nations, we hope to join APEC.

A free trade agreement with Mexico is also important, because eventually Panama hopes to join NAFTA. Undoubtedly, what we are doing with Mexico gets us closer to that goal. We will do the same thing with Canada.

The United States has some political problems which you, journalists, know better than anyone else. We must wait that the political situation in the United States returns to normal so that we can join NAFTA. But if we have concluded an accord with Mexico and Canada, that final step would be much faster and expeditious.

[Gurria] I would like to tell the reporter that precisely picking up the explanation where the Panamanian foreign minister left off the hemisphere already has — regardless of to which or how many regional or subregional groups one may belong to — an exact date for concluding the negotiations to create a hemispheric free trade zone. We are less than 10 years [word indistinct] years away from that date in that ambitious project resulting from the Miami Summit held in December 1994.

On the other hand, there are a series of bilateral, trilateral, regional, and subregional accords that have been occurring in a natural, normal manner. This means that they do not come from political, bureaucratic, or administrative decisions from countries... [KW Continente suspends broadcast to carry regular programming]

**Panamanian Report on Mexican President's Visit**

*PA1502205796 Panama City Telemetro Television Network in Spanish 2300 GMT 14 Feb 96*

[Report by anchorwoman Jenia Nenzen and reporters Juan Francisco Galdamez, Myrna Ortega and Axel Rivera; from the "Telemetro Reports" newscast; passages within quotations marks recorded]

[FBIS Translated Text] [Nenzen] To begin our coverage, Juan Francisco, we would like you to brief us on President Ernesto Zedillo's visit to Panama. We know three agreements that are important for our country have been signed. Go ahead, Juan Francisco.

[Galdamez] That is correct, Jenia. We greeted him today, you did it from our 50th Street studios, and we are doing so from the Palace of the Herons. We could describe it as a day-long pursuit of a president. Our colleague, Myrna Ortega, has been covering with us today from the presidency. We have been stationed here early on, ever since Zedillo arrived. The most important aspects of this visit are trade and the economy. I would like to invite Myrna Ortega, who has been covering the visit, to begin our summary presentation. Myrna, how would you describe what you saw today during your rounds?

[Ortega] Juan Francisco, without a doubt, Zedillo's agenda has been very tight. Rushed meetings were also

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held. There was, however, some time to talk about free trade and specific projects on bilateral trade matters. Especially, there was some time to enjoy a bit of our folklore and local traditions, specifically at the Mi Pueblito tourist center. But we have a compilation of reports on today's events. In the following report, we present a roundup on Zedillo's official visit. Go ahead, studios.

[Ortega] Panama and Mexico seek to expand their political and economic relations. Zedillo's visit could herald a new phase. Zedillo was welcomed by his Panamanian colleague at the Palace of the Herons. [a band plays the Mexican national anthem] Zedillo arrived accompanied by his official delegation. In Panama, Nicolas Gonzalez Revilla, Zedillo's aide-de-camp, and Panamanian Ambassador to Mexico Nils Castro are escorting the president on his different visits. The meeting with President Ernesto Perez Balladares lasted one hour. Diplomats from the two countries attended that meeting. Folk singing and music opened the ceremony held at Mi Pueblito. Panama City Mayor Mayin Correa presented Zedillo with the keys of the city. [folk song honoring Zedillo].

[Ortega] Zedillo had the opportunity to learn about our ways, traditions, and Panamanian folklore. He admired the beauty of our women dressed in the Panamanian national dress, and enjoyed his visit to this picturesque place.

[Zedillo] "I want to thank you for all the warmth and attention the officials and the people of this beautiful capital city have given us. The cities of Panama and Mexico share a common likeness that their residents take pride in: they bear the names of our respective nations and are seats of our democratically elected government branches."

[Ortega] One of goals of the presidential meeting is to strengthen diplomatic relations, which reached a low point a few years ago, according to Mexican Foreign Secretary Jose Angel Gurria.

[Gurria] "The visit is very important to Mexico. Like Mexico, Panama is a country of diverse associations. It is part of the Central American isthmus. It is Andean. It is obviously Latin American. Panama is part of the Ibero-American summit of the Rio Group. It is part of the Miami hemispheric effort, etc. We can do a lot together at these forums on multilateral issues, in addition to working on our bilateral matters."

[Ortega] Hopes are that the visit will herald a new phase in binational relations.

[Galdamez] All this is very important Yenia. President Zedillo visited our country when he was president elect in 1994, and he has now been in government for 14 months. Today, after he visited Mi Pueblito, President Zedillo addressed the Panamanian Chamber of Commerce, Industries and Agriculture. This meeting was very important because he gave a general overview of Mexico's policy and the stance of the current Mexican president in regards to commercial issues. We will now give you Axel Rivera's report on this event.

[Zedillo, in progress] "...to reach an agreement to deregulate our foreign trade and our reciprocal investments."

[Rivera] Thus, a new commercial era between Panama and Mexico has been announced. Previously, there was only traditional trade and a partial agreement and Colon Free Zone exports dictated our commercial relations with Mexico. Today we can anticipate better days.

[Zedillo, in progress] "...to use the instruments at the reach of our diplomacy and at the reach of our economic policies, with regard to relations with other countries, to establish a rapprochement leading to better, stronger, and closer relations between our two sister nations."

[Rivera] In his tight work agenda, Mexican President Ernesto Zedillo met with the Panamanian business sector. It was announced at the event that a technical cooperation agreement between the Mexican National Bank for Foreign Commerce and the Panamanian Chamber of Commerce had been signed. This agreement establishes the initial parameters to negotiate a free trade agreement between both countries.

[Zedillo] "People are fully aware that nations can no longer develop isolated from the rest of the world. Times have changed and the economic models that had experienced some sort of success in the past by placing a greater emphasis on the domestic market and protectionism against trading with other nations will see that these times have gone by and will not return."

[Rivera] The business sector views the new relations positively. Despite Mexico's current economic plight, this country has a vigorous market and the improvement of trade will benefit Panama. The improvement would not only include the trading of products but also investments.

[Victor Lewis, president of the Association of Colon Free Zone Users] "This is an issue that is tremendously important for both our countries. A bilateral treaty with Mexico represents — for Panama and Mexico — a very important boost to our economic and business activities."

[Juan Francisco Kiener, president of the Association of Panamanian Industrialists] "We believe we must

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establish a treaty with Mexico that is responsible and that defends the interests of the Republic of Panama."

[Juan Jose Vallarino, president of the Chamber of Commerce, Industries, and Agriculture of Panama] "President Zedillo, we want to affirm that the Panamanian private business sector believes it is important to take the initial steps to get Mexico and Panama to sign a preferential bilateral free trade agreement that will significantly increase our commercial exchange."

[Rivera] At the luncheon, it was revealed that Panama has reached an agreement with Mexico to renegotiate its oil debt. This debt amounts to approximately $140 millions and has been pending since 1986. The agreements stipulates that the debt must be paid with Brady bonds issued by the Mexican Government and at a date still to be announced. The terms and conditions are very long term to ensure that they not hinder the Panamanian Government's investment programs to provide basic services to the most needy sectors in the population.

[Zedillo] "Historically, between Mexico and Panama there has been great reciprocal affection and a great friendship, and at decisive moments in the history of our countries, there has also been great solidarity."

[Rivera] The luncheon was attended by representatives of all the economic sectors and ministers of state. President Zedillo was accompanied by his Commerce Secretary Herminio Blanco and Foreign Secretary Jose Gurria. This has been a report by Axel Rivera of the Telemetro Reports newscast.

[Nenzen] Well, Juan Francisco, we also know that during President Zedillo's flash visit to our country he also had time to visit the Miraflores locks. However, in regards to the Mexican chief of state's official agenda, we would like to know precisely what is happening at the Presidency of the Republic right now?

[Galdamez] Well, Jenia, there is a small recess right now. Later on, this evening, President Zedillo, will be decorated with the Manual Amador Guerrero order at the necklace level. A few minutes ago, at approximately 1600, important agreements were signed here at the Presidency of the Republic. They were on technology cooperation and — as Axel stated in his report — to define points on the payment of our oil debt. This is very important for Panama. An agreement to further the good relations between Panama and Mexico was also signed. All this was included in the documents signed by Dr. Perez Balladares and Dr. Ernesto Zedillo. They were the final agreements reached during President Zedillo's visit.

[Galdamez] In the framework of the visit by President Ernesto Zedillo to our country, at approximately 1700 today at the Presidential Palace were signed the agreements resulting from the conversations both presidents held. One of the agreements that was signed deals with technical and scientific cooperation. In addition, an accord was signed between the Secretariat of Finance and Panama's Ministry of Finance and Treasury to conclude the details concerning the payment of the oil debt.

In addition, both countries signed a joint declaration on the occasion of the visit by President Ernesto [illegible]dillo. In this context, both presidents reaffirmed the e[illegible]llent level of bilateral relations, highlighting the valu[illegible] and permanence of historical and cultural ties that join their peoples.

In particular, President Zedillo reiterated his commitment with Perez Balladares regarding the area's pacification process, stating the common purpose to contribute to the consolidation of democratic institutions in all countries of the area.

The heads of state recognized the importance of the consolidation of the Association of Caribbean States to promote integration, dialogue, and cooperation among all states of the Caribbean basin.

The presidents reiterated their governments' commitment to strengthen the Rio Group as the principal multilateral entity of Latin America and the Caribbean. Both president also recognized that the Panama Canal Universal Congress, which will be held in September of 1997, has great importance because it will significantly promote world trade and international transportation.

Zedillo also expressed his determination to promote a World Conference on Illicit Drug Trafficking for the year 1998.

In the economic area, the president of Mexico reiterated the offer by the National Foreign Trade Bank of Mexico to award credit lines to Panamanian commercial banks, aimed at financing the exports of Mexican goods and services to our country.

Meanwhile, President Perez Balladares offered the Mexican Government the possibility to install in Panama a permanent exhibit of products for export using the international trade facilities available.

Prior to the signing of these accords, President Ernesto Zedillo, as part of his tour of our country, visited the Miraflores Locks. President Zedillo said he wished to know how the Panama Canal operates. In this video footage, we can see Zedillo's tour of Canal facilities, where Panama Canal officials briefed him on operations.

Among those present were Panama Canal Administrator Gilberto Guardia, the deputy administrator, and high-ranking Panamanian and Mexican Government officials.

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Here we see the video footage of this tour, which took place at 1630 today.

Well, this was the tour of President Ernesto Zedillo. We want to conclude by announcing that, as part of the protocol activities, President Zedillo is yet to be decorated with the Manuel Amador Guerrero award, which will be presented to him this evening here at the Presidential Palace.

Now, let us go back to the studios with Jenia Nenzen to continue with our evening cast. Go ahead, Jenia:

[Nenzen] Thank you very much, for that detailed report on the visit by Mexican President Zedillo to our country.

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## Argentina

### Argentine Investors Said Confident Over Economy, Bonds

*PY1602015996 Buenos Aires TELAM in Spanish 2125 GMT 14 Feb 96*

[Report by unidentified correspondent in New York]

[FBIS Translated Text] New York, 14 Feb (TELAM) — As a new sign of support for the Argentine Government's reforms program, U.S. bankers and investors today confirmed their confidence in the recovery of the Argentine economy and guaranteed the sale of the new bonds worth $1 billion.

At the end of a meeting of some 160 businessmen with Economy Minister Domingo Cavallo at noon today, Citicorp Vice Chairman William Rhodes said: "We are optimistic about Argentina's growth."

This meeting marked the end of Cavallo's visit to the United States, where he met with the main buyers of the new issuance of Global Bonds [Bono Global], with which Argentina will obtain $1 billion in foreign markets.

Rhodes, who headed the advisory committees working to renegotiate the foreign debt of Argentina, Brazil, Mexico, and other countries, admitted that all the new bonds will be sold: "We believe it will be a success," he said.

Jorge Bermudez, Citibank Southern Cone operations chief, also voiced his optimism over this operation, in which Citicorp will be in charge of placing the bonds together with CS First Boston and Merrill Lynch.

Bermudez said: "As far as we can determine, there is good demand, and as Argentina's prospects are good, the investors are greatly interested."

The interest in the bonds that were launched by Cavallo in a hotel in New York became obvious with the massive participation of businessmen in the event.

Adalbert Krieger Vasena, former Argentine economy minister, who attended the event in his capacity as adviser of the CS First Boston, said that "not only the quantity but also the quality of those who attended the meetings, yesterday in Boston and today in New York, show the interest and confidence in Argentina."

Krieger said that "the series of questions posed show the confidence in Argentina." He added that "Cavallo's address was impeccable, excellent."

During a meeting with the media, Cavallo asserted that "I believe things are going very well," and explained that the results of the sale and the interest rates will be revealed tomorrow, simultaneously in New York and Buenos Aires.

After voicing his belief that the operation will be a success, Cavallo said that "with this current bond issuance, we have already placed bonds worth $1.9 billion, and the remaining $1.7 billion will be placed throughout the year in various currencies."

He added that "with this issuance we are playing safe because we are thus acquiring funds to rest assured for the remainder of the year."

According to Cavallo, this year the government hopes to acquire some $3.6 billion in foreign markets, in addition to the $2 billion coming from local investors, and $1.5 billion from multilateral organizations.

Before this new issuance, the government had obtained resources equivalent to $200 million in liras and $700 million in German marks.

During the meeting with the bankers, the minister confirmed that, "to be on the safe side, the economic growth rate will surpass 3 percent, but we believe it could reach 5 percent."

He also promised to continue the official efforts to reorganize the national state apparatus and the provincial administrations, and commented: "We hope that the Senate will, within two weeks, approve the bill that has already been approved by the Chamber of Deputies."

### Argentine Judge Receives Testimony in IBM Case

*PY1502162496 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1109 GMT 15 Feb 96*

[FBIS Translated Excerpt] Buenos Aires, 15 Feb (NA) — Testifying before Judge Adolfo Bagnasco in the IBM-Argentine National Bank [BNA] case, businessman Marcelo Cattaneo denied any links with the CCR [expansion unknown] Enterprise. Even so, the judge decided not to drop the charges because of Cattaneo's possible connection with that enterprise.

Bagnasco told NOTICIAS ARGENTINAS that he decided not to drop the charges against Cattaneo because "there is the suspicion" that he has links with CCR, despite his denial.

His decision is based on testimonies received and because the CCR was created following a split in another suspect enterprise, CONSAD [expansion unknown], a company in which Cattaneo is a director.

Bagnasco summoned the Cattaneo to learn about his functions in CONSAD and to learn what influence it has over CCR. [passage omitted]

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After testifying for more than 8 hours the charges against Cattaneo were not dropped because the judge believes "he may have committed the crimes of fraud and bribery."

Bagnasco said the court will hand down a ruling during March.

The judge said Cattaneo testified that "CCR works completely independent from CONSAD in the contracts with IBM that led to the alleged fraud against the BNA."

Bagnasco also confirmed that he has asked the U.S. courts for permission to travel to the United States to question six American directors of IBM.

Moreover, he indicated that he will travel only if "the Argentine Justice Ministry has the funds to pay for the trip, which is difficult due to the current budget crisis." [passage omitted]

**Argentine Governor Submits Data in IBM Case**

*PY1502145596 Buenos Aires TELAM in Spanish 0108 GMT 15 Feb 96*

[FBIS Translated Excerpt] Salta, 14 Feb (TELAM) — Due to alleged irregularities, Salta Province Governor Juan Carlos Romero today decided to submit to the criminal courts all the data pertaining to the contracts that the authorities of the previous provincial government signed with IBM.

The governor said: "It is a question of alleged irregularities in the contracting of computer equipment by the province from IBM."

Romero's announcement came during a news conference. He directly involved officials of the previous administration, including former Governor Roberto Ulloa and former Vice Governor Ricardo Gomez Diez.

He explained: "I believe we have the evidence to prove the contract was not right and that it was irregular. It would seem those involved have committed felonies as prescribed in the Public Employees Statute."

Romero added: "I have asked the provincial attorney general to initiate charges so the provincial prosecutor and the judges can investigate to see if any felony has been committed, and if so to bring charges against IBM."

He also explained this data will be "sent to the court in Buenos Aires that is investigating similar cases related to irregular contracts with IBM, and to the U.S. Justice Department."

The decision was taken because, among the alleged irregularities, "the contract was made directly, thus bypassing legal channels; the contract was closed at disproportionate prices; and the informatics systems were over-specified." [passage omitted]

The governor said: "The informatics system is over-specified and does not produce reliable information," adding: "There is a company called CONSAD that appears as an intermediary. It is suspected of bribery over the contracts being investigated in the Argentine National Bank case."

Romero believes "the province should have opted for a simple system, for modern equipment at low costs, and should have dropped that enterprise which resists changes in the informatics world."

**Argentine Judge Orders Detention of Antinarcotics Official**

*PY1602012696 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1624 GMT 15 Feb 96*

[FBIS Translated Text] Buenos Aires, 15 Feb (NA) — A Moron District Court ordered today the preventive detention of Antinarcotics Secretary Gustavo Green on charges of being a co-perpetrator of the crime of illegal deprivation of freedom.

The decision was made by Judge Jorge Rodriguez, who is temporarily in charge of Moron District Court No. 3, on the grounds that Green and Jorge Salvia are "the alleged prima facie co-perpetrators of and criminally liable for the crime of aggravated illegal deprivation of freedom on the basis of circumstantial evidence."

Charges had been pressed against Green and Salvia for having threatened two youngsters with fire arms in the Buenos Aires Province borough of Moron when they were affixing posters of a Justicialist Party faction that is at loggerheads with the faction to which Green belongs. Green and Salvia then took the youngsters to a police precinct at gunpoint.

Green will not be taken to jail because the court had already accepted a request for release from jail filed by Green's defense counselor on 9 February.

A source close to the Moron District Court said, once the ruling was released, that "Judge Rodriguez based his decision on all judicial records in ordering the preventive detention" of the drug czar.

Spokesmen of the Antinarcotics Secretariat told NOTICIAS ARGENTINAS that they knew nothing about the judge's ruling and, therefore, declined to make any comments on this order.

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**Argentine Report Views PJ Position, Frepaso**

*PY1602031096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1717 GMT 10 Feb 96*

[Special report for NOTICIAS ARGENTINAS by Luis Torres]

[FBIS Translated Text] Buenos Aires, 10 Feb (NA) — As twilight enveloped the nearly deserted city on 9 February, a minister of state boasted that the week that had gone by had been "a Peronist one," thus alluding to the success the ruling party scored in Congress and to the Justicialist Party [PJ] debate in Parque Norte. He nonetheless overlooked the fact that this was also a crucial week for the Frepaso [Front for a Country in Solidarity] on account of the deafening roar of the crumbling alliance.

[Cabinet Chief Eduardo] Bauza, [Interior Minister Carlos] Corach, [Senator] Eduardo Menem, and [Vice President Carlos] Ruckauf managed to make the PJ deputies shift to high gear so as to have a quorum in the Chamber of Deputies to approve the state and tax reforms.

The following day, the same players dined at "Clark's" on San Martin Street to discuss a further turn of the screw to the agreement with Buenos Aires congressmen and the discussions with the provincial and independent lawmakers. The discussion revolved round a sole topic; namely, whether or not to bow to [Economy Minister Domingo] Cavallo's demands. Congressmen, who accuse Cavallo of being authoritarian, consider the economy minister a bitter pill to swallow.

Nevertheless, the government officials managed to soften PJ congressmen, many of whom respond to insubordinate, or at least anti-Menem, governors. The congressmen finally paid heed to the listing of "political reasons" that [Congressional Relations] Secretary [Nicolas] Becerra, speaking in a growling voice, made them sit through late in the evening of 7 February, when all seemed to indicate that negotiations were going to fail.

The bottom line of all this is that the enactment of both laws is, for the Menem administration, a matter of life and death.

Reassured by the success, Menem nimbly climbed to the dais at Parque Norte to address PJ congressmen, who had to decide whether to extend the mandate of the party president [President Carlos Menem].

Now, let us turn to another story. The story of the dissidents, whose most vociferous voice is that of [Santa Cruz Governor] Nestor Kirchner, who, on the morning of 8 February, met with [Mendoza Governor Arturo] Lafalla — there was a trick here, since Kirchner had not alerted Lafalla that he would come accompanied by [former Interior Minister Gustavo] Beliz and the press — to discuss the position they would adopt at the PJ congress.

The Mendoza Province governor is very much aware that if he publicly endorses Beliz, he will run the risk of being associated with [Jose Octavio] Bordon [founder of the Open Politics for Social Integrity party] because Lafalla was vice governor under then Mendoza Province Governor Bordon. Lafalla also knows that he should not take that dangerous step, not only on account of political reasons, but also because, given the situation in his province, such a move would be most untimely. How can he possibly request aid of the federal government when he has a foot in both camps?

The fact of the matter is that Kirchner is involved in the opposition within the PJ up to the hilt, while Lafalla is trying to keep his distance from the Santa Cruz governor because he is conscious that whoever fields an anti-Menem candidate to vie with the head of state for the PJ presidency will have to command enough funds to finance the election campaign. So far, nobody is willing to risk even a cent in that endeavor.

Meanwhile, [Buenos Aires Province Governor Eduardo] Duhalde vociferated remarks against the disobedient party members, saying that he is willing to rule the PJ — in his area of responsibility — with an iron hand and without feigning ignorance, because he will stake his presidential candidacy for the 1999 elections on that, elections he intends to secure by presenting a sound background.

Although Duhalde has not yet gotten over the trap that [Alberto] Kohan [secretary general of the Presidency] laid for him when the secretary traveled to Miami to meet with [former Tucuman Governor Ramon] Ortega — Duhalde's main rival in the presidential race — the Buenos Aires governor is about to decidedly embark on the contest for the nomination by cementing an important agreement with Santa Fe [Governor Jorge] Obeid and [former Santa Fe Governor Carlos] Reutemann, and another one with Peronists from Cordoba Province.

In the forthcoming days, Duhalde is going to hold talks with pro- Menem Deputy Leonor Alarcia [from Cordoba Province] and former [Health] Minister Julio Cesar Araoz, two people who can sway many voters in Cordoba Province.

The rationale is quite simple — the provinces of Buenos Aires, Santa Fe, and Cordoba have, together, the largest number of voters — and of Peronist voters — in the entire country. Whoever manages to obtain the support of those constituencies is a step closer to

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victory than any other contender. In April, the Buenos Aires governor will make a trip to the United States, which will definitely confirm his candidacy. Most likely, Duhalde will travel accompanied by Osvaldo Mercuri, president of the Buenos Aires Province legislature, who, by a quirk of fate, maintains an old friendship with Bill Clinton, dating back to the time when the latter was governor of Arkansas.

Meanwhile, Bordon — who, oddly enough, has seen his popularity wane in public opinion polls since he supported Beliz — was determined to promote open internal elections, that is, the participation of any citizen rather than only party members, to elect the Buenos Aires mayoralty candidate of the Front for a Country in Solidarity [Frepaso]. This proposal was aimed at allowing the former interior minister to dispute the candidacy with Norberto La Porta.

[Grand Front leader "Chacho"] Alvarez' allies rejected Bordon's idea because they knew that if Beliz won the nomination and then the elections for the Buenos Aires mayoralty, they would barely be allowed to eat the crumbs under the table at the banquet given by others to celebrate the event.

Bordon has set his sights on the 1999 presidential elections and every move he makes must be interpreted taking that consideration into account.

His central idea is to grow as a party. He wanted Beliz to join the Frepaso and use him to lure Kirchner and Lafalla and make them throw in their lot with the alliance.

Bordon's dream was to win Ortega over, since the former Tucuman governor is at present treated as a pariah within the PJ. Nevertheless, Bordon knows that his propositions are untenable because Ortega will never consent to be his running mate.

In his passionless laboratory strategies, Bordon aspires to build an "authentic" Peronism that is well-differentiated from the ruling Menemism, which he intends to defeat. This notwithstanding, Bordon is also aware that the road ahead is extremely steep, especially considering how his image has deteriorated in the most heavily populated constituency of all; namely, Buenos Aires Province.

As the week was drawing to a close, everyone in the Frepaso wanted to prevent a split in the alliance, although all party members had a feeling that it would be very difficult to patch up what had been broken.

The story had a predictable ending — Bordon went his own way, as did the other Frepaso leader. This is the second time Bordon has broken away from a political party, even though he ran for president on the Frepaso ticket. Perhaps Alvarez wanted to settle his accounts with Bordon because he had lost the presidential nomination to Bordon.

Changing the subject, the brains of the state reform are making every endeavor to have the Senate enact the state and tax reforms in the coming fortnight, whereas the public senses that there is a major tax increase in the offing.

[Economy Minister Domingo] Cavallo departed for the United States still with the unpleasant after-taste caused by the fact that the tax reform enacted by Congress was not what he wanted. In the United States, the economy minister will be casting for investments by showing the two bills that have already been passed by one house of Congress, the imminent accord with the IMF, and his constant successes in economic policy.

As likely as not, while the economy minister dozes off in the course of his flight to New York on the evening of 12 February, the image of his overriding aspiration; namely, to become president in 1999, will spring to mind time and again. This is why he is trying desperately to avoid being the villain of the piece — the heartless official responsible for the possible hikes that will follow the increase in some taxes.

### Argentina's Misiones Reduces Public Servant Salaries

*PY1502000796 Buenos Aires TELAM in Spanish 0158 GMT 14 Feb 96*

[FBIS Translated Text] Posadas, Misiones, 13 Feb (TELAM) — The Misiones government tonight decided to reduce the public administration's regular payroll by "at least" 10 percent.

Government spokesman Carlos Correa said that the executive branch also decided to renew only those contracts that the head of the different departments consider necessary.

The official said during a news conference that the provincial cabinet, headed by Governor Ramon Puerta, met today for more than three hours to analyze "the situation of contracted workers in depth and considering all aspects."

Correa said the government will also "review the situation" of autonomous entities and state companies that have contracted workers in a state of dependence.

The spokesman said that all contracts or designations signed or implemented without the consent or authorization of the executive branch "will be canceled."

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During the long meeting the provincial cabinet also decided to start a round of talks with unions in order to hear their proposals and ideas on how to implement savings.

The spokesman said that the government will invite representatives of the federations representing state workers, like ATE [Association of State Workers] and UPCN [National Civic Service Personnel Union], "to debate and discuss the saving measures" proposed by the provincial executive.

## Bolivia

### Bolivia's Socialist Phalange Chairman Resigns

*PY1402163996 Cochabamba LOS TIEMPOS in Spanish 7 Feb 96 p A3*

[FBIS Translated Text] Jose Mario Serrate Paz has resigned as chairman of the Bolivian Socialist Phalange because he believes his party is not committed to any interests, and he feels he should make room for new generations.

He said: "We did not have to honor any commitments after the elections, unlike other parties that during the electoral campaigns negotiated with huge enterprises and must serve them once they reach the government." He thus voiced his pride that the FSB principles continue unblemished.

He asserted that his resignation is good because it gives room for new generations. Serrate added: "I believe leaders that remain and perpetuate themselves in power employ the methods of a political boss, and it is not a time for that."

He explained that his resignation does not mean his exit from the party and that now, more than ever, he will be with it, upholding its principles. He asserted: "We are not leaving the ship."

### Bolivian Minister Avoids Comment on Congressional Scandal

*PY1502202796 La Paz LA RAZON in Spanish 10 Feb 96 p A3*

[FBIS Translated Text] Although he avoided talking about concrete cases, Government Minister Carlos Sanchez Berzain stressed on 9 February that corruption is not an institutional phenomenon, that it is an individual action that generally has to do with economic crimes, and that it merits punishment in accordance with national laws.

Thus, the minister avoided talking about the situation that is being experienced in the Chamber of Deputies after forged documents emerged that increased the allowances of 22 deputies, including the three who were acquitted by the Lower Chamber.

"Legislative matters must be resolved in Congress, which is charged with controlling the executive branch, and not the other way around," he recalled.

Moreover, as a member of the Nationalist Revolutionary Movement, Sanchez referred to the communique released by his party indicating that the party is interested in fully contributing to clearing up the cases of corruption within the framework of respect for constitutional guarantees and the law, and when responsibility is established energetic action should be taken.

### Bolivian President on Chamber of Deputies Scandal

*PY1502205796 La Paz PRESENCIA in Spanish 11 Feb 96 p 7*

[FBIS Translated Text] Oruro — In this city on 10 February, President Gonzalo Sanchez de Lozada asked for an end to impunity and for the punishment of the culprits in order to definitively deal with the corruption charges that have been brought against the congressmen who forged documents in order to receive higher allowances.

He said he was displeased that in the middle of a session, a change of posture was made, and that some persons who had been included in the investigation had been dropped from it and were just reprimanded by the investigating committee. This notwithstanding, he expressed his optimism because when the case is reconsidered, that matter can be cleared up.

He asked that no one fall into the error of being led by the psychology of the masses when dealing with this topic; on the contrary, he indicated, the case demands that we remain calm in order to allow the persons to defend themselves, but also in order to do away with impunity and punish those who are guilty.

"I make this statement with much reticence because the incident occurred in another branch [of government], and therefore the responsibility lies with that branch. Institutionally, however, the responsibility lies with the party; we must be concerned about it, and we have been very clear. We would like to see the incident cleared up, the culprits punished, and the innocent freed," said the head of state and president of the main government party [Nationalist Revolutionary Movement — MNR].

He indicated that his position as head of the MNR is very clear: "We want justice to be implemented, the case to be fully cleared up, and assurance that there will be no impunity," he said.

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Asked about the dereliction and licentiousness of Congress, as expressed by Deputy Maria Teresa Paz, the president maintained that this topic had not yet been considered, and that he did not know the reasons that led her to adopt that decision [of withdrawing from Congress], although he did indicate that Paz should remain in the Chamber to use the voice and vote that the people have given her.

"I am an enemy of absolute or excessively radical attitudes. I do not want to anticipate events; I have not heard the reasons that led her to make that decision," he stressed.

**Bolivia's Socialist Party Asks President To Resign**

*PY1502210196 La Paz LA RAZON in Spanish 11 Feb 96 p A3*

[FBIS Translated Text] The Bolivian Socialist Vanguard (VSB), the party represented by Deputy Jerjes Justiniano, yesterday asked President Sanchez de Lozada to resign and hand over power to Vice President Victor Hugo Cardenas.

VSB leaders met in La Paz yesterday and issued a document accusing the president "of having ordered the protection of corrupt deputies in his capacity as head of the MNR [Nationalist Revolutionary Movement]."

"We demand the immediate stripping of the immunity of all legislators involved in corruption, and that they be tried in ordinary courts where they can be punished," the document says.

**Bolivian Opposition Figure: Scandal Seeks Mandate Extension**

*PY1502210996 La Paz PRESENCIA in Spanish 12 Feb 96 p 5*

[FBIS Translated Text] [Democratic Socialism Alternative Deputy] Jerjes Justiniano says: The scandal seeks to extend Gonzalo Sanchez de Lozada's mandate.

The opposition deputy is thus alerting the country to an alleged Machiavellian plot that is presumably seeking an extension of the president's mandate, and it reveals unheard of links between corrupt deputies and the strategy for an extension of the mandate.

According to Justiniano, the majority bloc in the Chamber of Deputies (the MNR [Nationalist Revolutionary Movement]) on 8 February imposed an authorization for the Comptroller General's Office to investigate 22 deputies who have been accused of corruption, thus preventing the Judicial Branch from carrying out the investigation. And, according to the deputy, this is part of a strategy that seeks to extend the mandate of Sanchez de Lozada.

Due to the corruption scandal in the Chamber of Deputies, Justiniano does not reject the fact that "the people will begin a process of protests that will ultimately end with the request to have Congress closed down."

In his opinion, the MNR imposition had the support of the Solidarity Civic Union (UCS) bloc and it was submitted by Carlos Bohrt, an "independent" deputy.

In addition, the imposition presumably counts on the support of high-ranking government officials because the MNR deputies involved in the corruption charges participated in a meeting with the head of state and head of the MNR at Government House, "and it was at that time that it was decided to place the involved deputies under the jurisdiction of the Comptroller General's Office," he concluded.

**Bolivian Senate President Asks Press To Respect Congress**

*PY1502212896 La Paz PRESENCIA in Spanish 10 Feb 96 p 7*

[FBIS Translated Text] Sucre — Senate President Juan Carlos Duran (MNR) [Nationalist Revolutionary Movement] has criticized the way the Bolivian press is questioning the Congress, and asked newspapers not "to strike" at Congress because it is the "basis of the constitutional and democratic order."

Duran, who is also the MNR vice president, traveled to Sucre to install eight Superior Court officials, four of them from the MNR, two from the ADN [Democratic Nationalist Action], and two from the MIR [Movement of the Revolutionary Left].

Duran said it was not fair to generalize regarding the accusations of corruption against the national Congress because not all legislators have violated the law. Duran said that there are 130 deputies and 27 senators and only 22 of them are being questioned.

"There is a dangerous generalization. Congress and political parties are criticized in an absolutely arbitrary and irresponsible way," Duran said.

The Senate president added that parties and institutions are not "in themselves" corrupt, only some of their members.

"I have observed that the media is coming down very hard on Congress; they are being very harsh with the chambers of Congress. They are right to some degree because some legislators have violated the law and must be punished," Duran said.

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The senator added that "you cannot strike at Congress" because this institution is "the basis of the democratic and constitutional order."

Duran asked all citizens not to forget the constitutional principle of presumption of innocence until proven guilty. "We are becoming accustomed to casting doubts and condemning people without due process, which, in my opinion, is very bad," the senator said.

**Gaston Encinas**

Senator Gaston Encinas (MIR), in turn, asked that Chuquisaca Deputies Jacinto Aramayo (MNR) and Pastor Velazquez (MBL) [Free Bolivia Movement] be sentenced to eight years in prison.

**Bolivian Society 'Indignant' at Deputies' Attitudes**

*PY1602025096 La Paz PRESENCIA in Spanish 10 Feb 96 p 7*

[FBIS Translated Text] An indignant country yesterday expressed deep concern for the future of the democratic system. All sectors of Bolivian society unanimously condemned the attitude of the Chamber of Deputies, which, on the evening of 8 February, decided to send the case of the deputies who illegally collected compensation to the Comptroller General's Office and not to ordinary courts.

Diverse pronouncements, all agreeing in general terms, pointed out that the deputies' attitude placed the democratic system in danger. The ruling party stressed that deputies under investigation have been placed on leave and were stripped of their immunity, but the opposition insists that the Chamber of Deputies has not authorized the leave of those involved in alleged acts of corruption.

The ruling coalition partner Free Bolivia Movement (MBL) and the opposition party Nationalist Democratic Movement (ADN) separately and formally asked the chairman of the Chamber of Deputies to call for a reconsideration of the resolution adopted on 8 February authorizing the Comptroller General's Office to investigate deputies accused of corruption.

The MBL bloc yesterday suggested that it might abandon the government coalition if its main ally, the Nationalist Revolutionary Movement (MNR), does not accede to the request.

MBL leader Deputy Juan del Granado held a news conference during which it was explained that his bloc has "formally proposed" a reconsideration of the resolution adopted on 8 February within the period established by the rules on debates.

**The Illegal Vote Was Proposed by Bedregal**

Del Granado stressed that Guillermo Bedregal, president of the Chamber of Deputies and vice president of the MNR, "promoted a hasty and illegal vote," provoking "grave and irreparable damage to the Chamber of Deputies."

On 8 February deputies discussed the appropriate mechanism to investigate deputies who are accused of having falsified documents to receive illegal compensation payments. On the occasion, the majority bloc in Congress, comprised of MNR and UCS [Solidarity Civic Union] legislators, decided to authorize the comptroller general to conduct the investigation in a hasty and confused vote ordered by Bedregal.

These legislators, however, have not been granted leave by the Chamber of Deputies and, therefore, still have immunity, which prevents an investigation by any noncongressional organization.

According to the MBL leader, his party will remain in the ruling coalition until the MNR gives them an answer, even though on 12 February they will consider other actions.

**ADN Adds Its Voice to the Request**

ADN deputies have also submitted a request for a reconsideration of the controversial 8 February vote to the chairman of the Chamber of Deputies.

ADN spokesman Fernando Kieffer said during a news conference that his party "does not have any responsibility" for the resolution, and rejected the suggestion that there was "a pact of silence" with the ruling party on the alleged acts of corruption of the 22 legislators.

Kieffer said his party has objected to the procedure used during the 8 February vote because the MNR bloc violated Chamber of Deputies rules to impose its decision.

According to these rules on debates, the consideration of accusations against legislators must be carried out without their participation.

Besides, a decision must be approved by a roll call and legislators' votes must be secret.

In these cases the Chamber can approve a decision only with two-thirds of the votes of legislators present. On 8 February, however, the deputies accused of corruption participated in the debates and the vote was not by name, nor was it secret.

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## Brazil

### Brazil's Cardoso Urges Approval of Patent Bill

*PY1502145796 Sao Paulo AGENCIA ESTADO in Portuguese 2357 GMT 14 Feb 96*

[Report by Rosa Costa]

[FBIS Translated Text] Brasilia, 14 Feb (AE) — Just as he did before visiting the United States and EU countries, President Fernando Henrique Cardoso again urged senators to approve the patent bill before he leaves for Japan on 13 March. Referring to the upcoming trip, Senator Elcio Alvares (PFL-ES) [Liberal Front Party-Espirito Santo], government leader in the Senate, said: "The approval of industrial property rules would convey a good signal from Brazilian lawmakers."

"The Japanese are major commercial partners of Brazil," Alvares said. The bill should still be analyzed by the deputies but Alvares said approval by the Senate is a gesture of goodwill toward Brazil's international partners.

The government leader said that Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) [Bahia] promised to do everything in his power to get the bill approved before the end of April. The matter was discussed at the Constitution and Justice Committee (CCJ) and at the Constitutional Affairs Committee (CAE) throughout 1995.

CCJ rapporteur Ney Suassuna, and CAE rapporteur Fernando Bezerra disagree on several topics. The pipeline — retroactive recognition of patents on products that have not yet been marketed — is the most important topic for the government. It was rejected by Suassuna. The two proposals will be voted on at a plenum session on 29 February.

Elcio Alvares obtained sufficient signatures for voting the bill on an urgent basis. Suassuna preferred the standard procedure but is unable to neutralize the urgent voting procedure because he is in the United States and will return on 26 February. Senator Fernando Bezerra, National Confederation of Industry (CNI) president, wants Brazil to have a patent legislation as soon as possible. President Cardoso asked Bezerra to accompany him on his visit to Japan.

### Brazil Daily Views Measures To Stem Dollar Inflow

*PY1402181596 Sao Paulo GAZETA MERCANTIL in Portuguese 12 Feb 96 p 2*

[Editorial: "Fine-Tuning That Almost Resembles Immobilism"]

[FBIS Translated Text] In the face of the large inflow of dollars and of the danger of losing control over its monetary policy, the administration had to adopt measures to stem the inflow of speculative foreign funds. Yet, the resolutions adopted by the National Monetary Council (CMN) last week cannot even be described as a "package," in the economic meaning that has been given to this word. The CMN measures consist of scattered adjustments which, although justifiable, do not take the bull by the horns. Market analysts believe these measures are not bound to have a significant effect.

In our opinion, it would have been better to establish a quarantine, a fixed period between the date the respective contract is signed and the time for the entrance of the funds into the Brazilian economy. This quarantine period is 90 days in Chile. In addition to this being a general provision, from which only direct and long-term capital investments would be exempt, the procedure would create a protective cushion against speculative operations. Instead of doing this and — according to the economic team — in keeping with recommendations of international institutions, the administration chose to impose a soft tax and to implement administrative measures to correct the most notorious distortions.

Indeed, the time has come to prevent foreign investors from investing in privatization stocks that are negotiated on stock markets, and to ban loans contracted abroad from being invested in treasury bonds that are subject to exchange correction. The CMN imposed a 5-percent tax on foreign investments in privatization funds — which in January alone totaled $500 million — and extended from two to three years the minimum period for obtaining foreign loans through bonds and "notes." To stimulate the most beneficial foreign capital, the administration merely refrained from imposing an IOF [Financial Operations Tax] on investments in Mutual Funds of Emerging Companies [Fundos Mutuos de Empresas Emergentes] and in the Real Estate Investment Fund.

The prevailing impression is that all this could have been done long time ago. Regarding the specific case of privatizations, it would be inaccurate to say the CMN resolutions "have changed the rules." At this stage, in which large power companies and the Rio Doce Valley Company (CVRD) are scheduled to be transferred to the private sector, the participation of foreign capital — which has thus far played a minor role in the privatization process — will be extremely important and the administration would not do anything to jeopardize the inflow of foreign capital. In fact, the administration has not done anything like that. Foreign investments for privatization can be made in cash or in securities and, despite the IOF, the respective funds continue to be attractive.

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A major objection that could be raised against the CMN measures is the same as that made about the current economic policy. The administration is not confident enough to adopt a decisive position regarding the interest rates that are suffocating the economy and to correct the overvaluation of the Brazilian currency in relation to the U.S. dollar. Today, several entrepreneurs advocate a policy that would result in a significant reduction of interest rates; from today's 2.3 percent to 1.5 percent or less. In light of the level of international liquidity and of the credibility earned abroad by the Brazilian economy, this reduction would not affect the inflow of foreign funds for productive purposes. As is clear, Brazil is today rapidly moving from the stage of announcing investments to that of implementation. There are widespread projections today that the inflow of risk capital will stand at more than $5 billion this year.

Similarly, there is no reason for the real exchange rate not to move along the established band. This could be done safely if monetary officials decided to adopt effective mechanisms to regulate the inflow of foreign funds. If exports could grow more vigorously and steadily, there would be more room for imports and some protectionist measures the administration had been forced to adopt could be eventually discontinued.

No one is advocating an abrupt turnaround, which could have traumatic effects or entail a threat to the stabilization that has brought so many benefits to the people. We could move in the direction of a more realistic policy if the economic team had greater decisionmaking power. Although no strident measures are necessary, the fine-tuning approach preferred by the administration conveys a feeling of immobilism.

**Brazil's BC Denies Seeking Dollar Exchange Rate Freeze**

*PY1502181296 Sao Paulo GAZETA MERCANTIL in Portuguese 13 Feb 96 pp A1, B1*

[Report by Ivanir Jose Bortot and Mariangela Gallucci]

[FBIS Translated Text] The Central Bank (BC) on 12 February devalued the real [R] by 0.2 percent. The exchange rate band now covers the span from R0.980 to R0.985. Early in the afternoon on 12 February, Gustavo Franco, director of the International Affairs Department of the BC, instructed Joubert Furtado, chief of the BC Department of International Reserve Operations, to devalue the real. The order was implemented at 1700 through two operations, one for buying and another for selling dollars.

Joubet said: "We have just auctioned dollars, and we devalued the real by 0.2 percent. The BC action has dispelled the rumors," denying the economic team seeks to freeze the rate this year.

Gustavo Franco, who was in Rio de Janeiro on 12 February, early in the afternoon called Furtado asking him to adopt measures for correcting the dollar exchange rate.

"Gustavo Franco keeps in his memory all the dates when corrections were made. The correction on 12 February shows the exchange rate is not stagnant," Furtado said.

Among the criteria for devaluing the real, the BC considers the external inflation rate compared to the internal inflation rate, the increase of productivity, and the variation in the basket of currencies of countries with which Brazil has commercial relations.

Joubert wondered: "It might be even possible to calculate that it is no longer necessary to devaluate the currency. If the idea is to freeze the exchange rate, what is the use of an exchange band?"

The most recent exchange rate change came at the end of January, when the band was changed to R0.97 and R1.06. The BC has devalued the real through random interventions, without a preestablished plan. The government wants to prevent the indexing of the exchange rate to any price index. The correction of the real, however, seems to follow the variation of the industrial wholesale price index [IPA], calculated by the Getulio Vargas Foundation. Between February 1995 and January 1996, the accumulated IPA reached 12.05 percent, while in the same period the dollar rose by 15.05 percent.

A reliable economic team source told GAZETA MERCANTIL that the policy of devaluation of the real will always follow technical criteria. The performance of external accounts, like the balance of trade, is an important factor in this definition.

This year, the government expects current transactions to register a deficit below 3 percent of the GNP. The source said: "If the exchange rate remains frozen, imports will increase further and it will be more difficult to stabilize the balance of trade." The Finance Ministry expects the balance of trade to register a surplus of R2.5 billion to $3 billion [currencies as published], to ensure the deficit in the current transactions account does not surpass 3 percent of the GNP.

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**Brazilian Congress Starts Regular Period of Sessions**

*PY1502224096 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 15 Feb 96*

[FBIS Translated Text] On the opening of the new period of congressional sessions, President Fernando Henrique Cardoso advocated diligence for the approval of the constitutional reforms. Deputies and senators, however, will have to run against the clock.

After the special period of sessions, lawmakers are back to their normal work. This year they will have no holidays.

The solemn session of Congress was attended by Vice President Marco Maciel, the president of the Federal Supreme Court, and almost all ministers. Civilian Household Chief Clovis Carvalho brought President Cardoso's message, a report making a balance of the first year of government and a request for Congress to approve the constitutional reforms.

In order to meet the government's request, Congress will have to run against the clock. In addition to the tax, administrative, and social security reforms, the plenum of the Senate must vote on the Sivam [Amazon Region Surveillance System] project and — for the second time — on the Fiscal Stabilization Fund.

There is a considerable volume of work, which might be hindered by the municipal elections scheduled for the second half of the year. That is why the government and Congress expect to conclude the voting by June 1995.

[Begin Senate President Jose Sarney recording] During the first half of the year, we will vote on all those subjects, while Congress will continue working at the same pace it imposed on itself during the last period of sessions. [end recording]

**Brazilian Minister Signs Protocol for Job Creation**

*PY1502181596 Sao Paulo AGENCIA ESTADO in Portuguese 2247 GMT 14 Feb 96*

[FBIS Translated Text] Brasilia, 14 Feb (AE) — During the ceremony to sign a technical cooperation protocol to create jobs with funds supplied by the BNDES [National Bank for Economic and Social Development], Planning Minister Jose Serra today announced investments totaling 47.2 billion reals, R, by the administration to promote the creation of jobs nationwide. These investments are:

— R4 billion — to reactivate loans for civil engineering construction from foreign loans and FGTS [Severance Pay Fund] funds.

— R11 billion — in new government investments, with BNDES funds, in the private sector.

— R12 billion — from the auto industry to boost the industry over the next 10 years following the opening of the Brazilian auto sector.

— R2 billion — from privatization proceeds. Serra said public service concessions, especially regarding power services, to the private sector will be instrumental in promoting the resumption of investments in these areas.

— R12 billion — will be earmarked for the investment program of state-owned companies. Investments will be made in the electricity sector, also in oil and telecommunications.

— R3 billion — will be an additional transfer of funds from the FAT (Workers' Support Fund) to the BNDES to promote the creation of jobs in the next three years.

— R1 billion — in funds allocated to the Education Ministry to finance technical training courses which, according to Serra, will be instrumental in training young people to qualify for available jobs.

— R1 billion — from BNDES which changed the terms of its contracts with the World Bank in order to allow dismissed workers, especially from state-owned companies, to provide retraining with these funds. Today, these funds are used as severance pay of dismissed workers.

— R280 million — from the Bank of Northeast Brazil [BNB] to be invested in small- and medium-sized companies.

— R1 billion — from the BNDES which means state and municipal administrations targeted by its Tourism Development Program (Prodetur) will be exempt from supplying matching funds.

**Brazilian Freedom in Budget Implementation Said Reduced**

*PY1402223796 Sao Paulo FOLHA DE SAO PAULO in Portuguese 12 Feb 96 Section 1 p 6*

[Report by Jose Roberto Toledo]

[FBIS Translated Text] The government will lose part of its budget implementation independence. The Congressional Budget Committee will take action in connection with social investment funds that the executive branch had reserved for programs in which it is free to assign allocations as it wishes.

Lawmakers intend to "seal" the money of the so-called umbrella programs. This means that the budget approved by Congress will establish the states to which

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the funds will be assigned, according to their population and per capita income.

In the original government proposal, the funds are allocated in national programs permitting the ministries to earmark them following their own criteria.

Congress already used the population/income formula for earmarking the funds for the states in the 1993 budget. The government vetoed this formula in 1994. In 1995, simply no criteria were adopted.

If the mechanism works this time, Budget Committee leaders hope to include it in the Budget Guidelines Law, which is expected to be approved in July.

If approved by Congress, the modification will significantly reduce the budget implementation freedom of the executive branch. For example, of the 52 million reals [R] earmarked for investment in housing, 70.21 percent comes from national programs.

The education sector will also be affected by the distribution of funds. Of the R856 million allocated for the education sector, R566 million (66.17 percent) comes from national programs.

The modification will not affect the programs with markedly national features, like the provision of school books and school breakfasts, which depend on the number of students.

National health and sanitation programs will be affected to a lesser extent, because 65.38 percent of their funds has already been divided among the states.

Meanwhile, the redistribution of funds in those areas will be done through other channels. In several regions, the percentage established by the executive branch proposal is well below the percentage established by the lawmakers.

For example, in the northeastern region, the executive branch proposal provides for health investments worth 24.8 percent of national funds. Based on the population index, this percentage will rise to 37.46 percent. This represents a R200 million increase in the funds earmarked for the region.

Even though for states like Bahia the index included in the proposal designed by Health Minister Adib Jatene is very close to the one designed by lawmakers (5.59 percent versus 5.63 percent), other states, like Alagoas, could receive up to 77 percent above their original allocation.

The southeastern region is among those that have more strongly benefited from the rechanneling of funds. The government earmarked 17.55 percent of health investments for the region. Lawmakers increased this percentage to 24.9 percent, which means an additional R166 million.

In the original proposal designed by the Planning Ministry, the state that obtained most benefits from the criterion adopted by the Budget Commission is precisely the electoral base of Minister Jose Serra, the head of the portfolio.

In the new budget, Sao Paulo will have an additional R255 million for social investments, R137 million of which will go to health and sanitation, R84 million to education, and R33.9 million to housing.

Yet in order to make that money reach Sao Paulo hospitals and schools, it is necessary to have the approval of the Budget Commission, of Congress, and of the ministers.

The budget authorizes expenses, that is, it establishes a ceiling for executive branch expenditures in each sector.

Yet the government is free to spend as much as it wants, from zero to the established ceiling.

**Brazilian Ministry To Oversee Social Action Projects**

*PY1602012496 Rio de Janeiro JORNAL DO BRASIL in Portuguese 13 Feb 96 p 3*

[Report by Ilimar Franco]

[FBIS Translated Text] Brasilia — Planning Minister Jose Serra will perform major tasks in implementing socioeconomic development policies during the second year of the Fernando Henrique Cardoso administration. Civilian Household Chief Clovis Carvalho delivered copies of a document entitled Report of Significant Actions Taken in 1996 [Relatorio das Acoes Relevantes de 1996] to all cabinet ministers during a meeting held on 9 February. The document notes that the planning minister will be in charge of overseeing social actions such as the construction of inexpensive houses, and efforts to make water, sewage, and sanitation facilities available nationwide. These actions will be designed to benefit low-income families residing on the outskirts of urban centers.

The document shows that President Cardoso is planning to further both his economic opening and privatization policies. His objective is to implement the constitutional amendments approved during the first half of 1995. The report assigns priority to restructuring the electricity and telecommunications systems, and to making the monopoly of Petrobras [Brazilian Petroleum Corporation] more flexible. Also listed as a priority is a program to reform labor relations, which Labor Minister Paulo Paiva has been negotiating with union leaders. This labor reform is

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designed to reduce additional costs bearing upon salaries paid by employers, which has also become known as the Brazil Cost.

This year the administration plans to intensify its program to grant concessions of federal railroad systems to the private sector and to privatize the Federal Railroad System [RFF]. To pave the way for economic development, the administration plans to promote exports, to increase foreign investments, and to accelerate privatizations and concessions. The administration is also concerned about unemployment and seeks to adopt policies to support small enterprises.

**Leading Projects**

Aeronautics: The implementation of the Amazon Region Surveillance System, Sivam.

Agriculture: Agrarian reform and settlement projects.

Communications: The general telecommunications law, and the expansion of telephone and cellular telephone systems.

Education: University autonomy, the television school project, and the direct transfer of funds to municipal governments and schools.

Mines and Energy: The restructuring of, and regulations concerning, the electricity sector, and efforts to make the Petrobras monopoly more flexible.

Health: A national plan to eliminate leprosy and to bring yellow fever and dengue fever under control, the implementation of a program to reduce the infant mortality rate, and the consolidation of the unified health system.

Labor: Programs to reform labor relations and to create jobs and to improve income, and an unemployment benefit program.

Transportation: A program to grant concessions of federal highways, the transfer to states and municipal administrations of the urban transport system operated by the CBTU [Brazilian Urban Transporation Company], and a program to improve and to privatize the RFF.

**Brazil's FHC on Achievements, Economic Stabilization**

*96SM0062A Sao Paulo VEJA in Portuguese 17 Jan 96 pp 20-27*

["Excerpts" from interview with President Fernando Henrique Cardoso by Paulo Moreira Leite and Tales Alvarenga, in Brasilia "last Monday": "Brazil Is on Course"]

[FBIS Translated Text] **In an exclusive interview, President Fernando Henrique Cardoso reviews the situation with the real, warns that his cabinet is not going to change, and says he has been familiar with wiretaps since he was a child.**

**Late last Monday afternoon, President Fernando Henrique Cardoso left his office in Planalto Palace and settled into the library at Alvorada Palace, his official residence. There he received VEJA for an interview that began at 1800 hours and ended at 2100 hours. He talked about his administration's victories, such as the stabilization of the economy and the improvement in the incomes for the poorest classes, and also about its mistakes, such as the delay in financing agriculture and preventing the banking crisis. The president also explained why he does not intend to make any changes in his cabinet. Here are the principal passages from that interview.**

[VEJA] How do you assess your administration one year after taking office?

[Cardoso] Just as I did initially. Brazil is on course; things are becoming organized in a suitable manner. I still say it is easy to govern Brazil. It is a matter of being patient and persistent and not being arrogant.

[VEJA] It is still being said that you are building a conservative administration because of your alliance with the PFL [Liberal Front Party].

[Cardoso] Those ideas are losing ground. First of all, because it is not just the PFL that is voting for the reforms. Second, in what way is the administration conservative? On the contrary, it is making changes beneficial to the majority. Roberto Freire (a leftwing senator from Pernambuco) said something interesting. He said: "It cannot be said that this administration is doing nothing in the social area. Considering the 30-percent increase in the population's food consumption, that is just idle talk." You cannot call an administration conservative when the people are eating better and the bankers are in trouble.

[VEJA] But Proer [Program to Encourage the Reorganization and Strengthening of the National Financial System — Programa de Estimulo a Reestruturacao e ao Fortalecimento do Sistema Financeiro Nacional] has helped the bankers.

[Cardoso] This is the first time that bankers' assets have been frozen, and that includes bankers in my own family, although indirectly (Paulo Henrique Cardoso, the president's son, is married to one of the heiresses

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to the Banco Nacional, which has just been acquired by Unibanco).

[VEJA] So far, the only member of that group to be arrested in Brazil was a small-time banker in Minas Gerais.

[Cardoso] The question is not whether to arrest them or not. The bankers are going to pay what they owe. I harbor no particular ill will against them, nor do I want to exorcise them, especially since a capitalist system does not exist without bankers. The point is that our policy is not a policy designed to benefit them.

[VEJA] Is the cabinet going to change?

[Cardoso] No. So far I have replaced only two ministers. Roberto Maylaert, who left the Ministry of Communications, and General Lauro Gandra, who resigned. It is not that I may not feel that this or that person could be doing a better job. But this business of using ministers for target practice is very negative. The target practice begins, and I dismiss one. Why not go on and dismiss another one? So groups are organized, and they make noise and destabilize the administration. Changing ministers is such a major trauma that if there are not very specific circumstances, there is no reason to change. If I start fiddling with the cabinet to please Congress, where will it end?

[VEJA] Do you think your successor will come from the social area?

[Cardoso] That kind of reasoning is no good today. That is old hat; people were talking about it before I took office. For anyone who is going to pursue a political career in the government, the economic area has been exhausted because the Real Plan has produced results. Unless there is an economic crisis and another savior of the fatherland appears, the problem challenging Brazil is the social one. But that does not apply to the present situation.

[VEJA] Why doesn't it apply to Minister of Education Paulo Renato?

[Cardoso] I am very fond of Paulo Renato because he has put education on course. If you pick someone with a political background and place him in a technical area and he does well, that may create a favorable climate. But that person must have political skills; he cannot be a technician. Do you think that if Itamar's minister of finance had been Pedro Malan, he would have been president of the Republic?

[VEJA] The administration does not have a visible political opposition. But there has been a lot of clamor about Sivam [Amazon Region Surveillance System], wiretapping, and the pink briefcase. To what do you attribute that?

[Cardoso] It is natural. There is currently no political party presenting an alternative, trying to win power. But there are sectors that would like to see the circus catch fire, others that are complaining about something that really is wrong, and others with some special interest. In that situation, the one opposing the government is not the opposition, but the press through an insidious process in society. But however disagreeable that clamor may be—and it often is—it forces the ruler to render an accounting.

[VEJA] Have you ever been the object of wiretapping in the Presidency of the Republic?

[Cardoso] No. It is possible that the wiretap on Julio (Ambassador Julio Cesar, adviser to Planalto Palace at the time) picked up conversations of mine. If so, they were the ones reported—in which I telephoned him to ask for a film to watch at Alvorada Palace. We never discussed matters of state or personal matters. Probably the entire tape was not made public because there would have been trouble if the president of the Republic's voice had been heard on it. Placing a tap on the president is a serious matter.

[VEJA] Aren't you annoyed to have received only the edited tape?

[Cardoso] Yes. And I did not receive the tape until later—months later.

[VEJA] Are you afraid of being wiretapped today?

[Cardoso] I go crazy over the fact that advisers discuss certain things over the telephone. Even silly conversations with nothing serious about them can be a disaster if made public. I have been careful with my telephone conversations for a long time. Do you know why? I remember wiretaps from when I was a boy because my father was a military man, and he was sent to Sao Paulo by Dutra (minister of war under Getulio Vargas) to check up on intervenor Adhemar de Barros. The telephone in my home was tapped by Adhemar's police, and the Army had its own wiretap on the police.

[VEJA] The police had a tap on the general and the Army had a tap on the police.

[Cardoso] Yes. I know that witches exist, and Getulio Vargas knew it, too; you can see that from his memoirs. I think wiretaps are a disgusting and serious thing. Salinas (the former president of Mexico) was being tapped by satellite. So was the king of Spain. So anyone can be tapped. The government does not use wiretaps. And if it does not use wiretaps, it does not want

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them used against it. Doing so shows disrespect for the citizen. But no one discusses matters of state over the telephone. I have a voice scrambler that prevents monitoring.

[VEJA] Do the ministers have them, too?

[Cardoso] Some of them, generally in the economic area, and the military.

[VEJA] Speaking of telephones rather than wiretaps, when will a person living in Rio de Janeiro or Sao Paulo be able to obtain a line without paying 3,000 reals?

[Cardoso] In about a year or a year and a half. In telecommunications, the process of concession and privatization is moving ahead. They say that we could have been moving even faster in that area. Maybe so. But we are not going to sell just so we can say that we sold so many firms. What we need to do is create a situation enabling the country to live with this new reality.

[VEJA] Do you feel that economic liberalism is losing momentum in Brazil? After all, Mexico went broke, the former communist countries are electing former Communists, and France has gone through a strike lasting three weeks. In the United States, Clinton is resisting the Republicans as well as he can.

[Cardoso] All that is happening, but I am sitting tight. In Brazil, this business about an economically liberal government is empty talk. The problem is to reform the state so as to coexist with today's production system, which has become globalized. My idea has always been that of an efficient state, not a small state.

[VEJA] Where did the debate change?

[Cardoso] The U.S. example is clear. The idea that the social welfare state has failed, and that now the market represents everything is false. I do not think it applies to Germany. What is happening in France is not resistance to economic liberalism but resistance to the idea of adapting France to today's conditions; France is going to pay dearly for that.

[VEJA] How so?

[Cardoso] France is a frozen society in which the bureaucratic presence is very strong and has trouble coexisting with the trends in the world. That is not what is happening in the United States, where that influence by the state does not exist. There is going to be a rebalancing from the ideological standpoint. From the practical standpoint, like it or not, state structures and societal structures are going to adapt to the present mode of production.

[VEJA] Which areas of the administration are in trouble?

[Cardoso] In the banking area, we were too slow to recognize the seriousness of the problem, although from the technical standpoint, the warning signs were there long ago. When the time came to solve the problem at the Banco Economico, we lacked the instruments. We were too slow. To get back to a matter I have discussed before, the government has so much to do and so few people to do it with. I feel that we lack creative energy. People are always busy. Every one of us is overworked, and not just the ministers. So are the chief advisers.

[VEJA] What is the general situation in the administration?

[Cardoso] In the economic area, our objectives have been achieved. There was unemployment, but we kept the problem from becoming as serious as it was in Argentina. And we avoided Venezuela's financial disorder. We had to get around the Mexican storm, and that cost us dearly: some $10 billion from the reserves. It was a major loss. But there was the danger of an exchange crisis. I have always heard it said that inflation is a terrible disease, but that an exchange crisis is lethal—it kills. We also dealt with two other issues: tremendous growth in the first six months of the year—meaning that there was inflationary pressure—and the pressure on imports. Without the Mexican crisis, we might have been able to hold out. But with our reserves dropping and our imports rising, we had to restrain growth. We had to do something that was never done under the Cruzado Plan, and it was unpopular. Not unpopular with the lower classes of society, but with the middle class. They said: "Ah, but growth has stopped, the interest rate is high, and recession is starting." But we had to act as we did or we would have lost control of the stabilization process.

[VEJA] What about foreign exchange, Mr. President?

[Cardoso] Foreign exchange also ties into this. The economy revolved around the interest rate and the exchange rate all year long. Comparing the current situation to that in April, we see that the interest rate has dropped by half. I made a decision—not alone, but in consultation. What was that decision? To show that we are on a course, not a zigzag route, in which there is no fear or surprises. Economics is not a science; it is an art. It has a scientific basis, but the rest of it you have to pilot on a day-to-day basis. One area in which we have had piloting difficulties is agriculture. There can be criticism in that area.

[VEJA] The farmers agree.

[Cardoso] The criticism should not be directed at the minister of agriculture, who had been emphasizing the

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matter since January. The criticism should be directed at the economic area and at me. Back around April we wanted to securitize the debt. It was not easy—only now have we succeeded. Agriculture was having a tremendous problem with interest rates; the problem went back a long way, and agriculture was suffocating. But we managed to adopt measures that benefited even the small farmer. But the criticism remains: help was late in coming.

[VEJA] The government has had a deficit.

[Cardoso] It is a small deficit as far as the Union is concerned. The complication occurs in the states and municipalities. And the Union's deficit came about because of three factors basically. Itamar gave government employees a pay increase at the end of 1994, and that cost 2.5 billion reals. But that was not the only thing. There was also the increase in the ceiling: 1.2 billion reals. And what is that? It is the increase that takes place when the pay of the president or the deputies is increased. As a result of all those increases, the payroll rose from 31 billion to 39 billion reals. There is also pressure from retirees and pensioners: they account for 40 percent of the total personnel expense. That explains why the payroll is increasing so much while people continue to earn so little.

[VEJA] But interest rates also had an influence.

[Cardoso] Interest rates account for probably 20 percent of the total deficit. There was no expenditure except in the field of health. What happened? The Treasury collects an average of 7 billion reals per month. With that amount it pays the employees, pays the retirees, transfers some to the states and municipalities, and, lastly, pays interest. What is left over? About 1.2 billion reals. Of that, the Ministry of Health takes some 800 million reals. That leaves 400 million reals for everything else.

[VEJA] So when you get down to it, being president means administering 400 million reals.

[Cardoso] Yes. And that is crazy. What remains after the Ministry of Health takes its share is a paltry sum, and with that I have to carry out agrarian reform, build roads, and all the rest.

[VEJA] What has the government been doing on its own initiative to deal with the social issue?

[Cardoso] In certain areas—in education—it is now recognized that an effort producing results has been made. In agrarian reform, you can say what you want, but we have settled over 40,000 families. We also started the Minimum Income Program, in which every elderly person—over 70 years of age—and every invalid who is unable to support himself receives a minimum income. It is beginning to be paid this month, in January. We have also doubled our spending on health. Doubled it!

[VEJA] But there has been unemployment.

[Cardoso] The data we have, both from the IBGE [Brazilian Institute of Geography and Statistics] and from the DIEESE [Interunion Department for Statistics and Socioeconomic Studies], show that the overall unemployment rate has remained the same. In some areas such as footwear and metallurgy, there was and is unemployment. But, on the other hand, more jobs are available in the service sector. It is obvious that the guy who was employed in industry became unemployed, and that the one who got a job in the service sector was somebody else. In any case, a certain statistical equilibrium is being maintained. The growth occurring in that area cannot, by itself, absorb workers from the industrial area. That is why the government needs to retrain people for other jobs. Last year the Ministry of Labor retrained 250,000 people. This year it will retrain 900,000.

[VEJA] In recent decades, countries that were very poor have come to have extremely high incomes per capita—the Asian tigers, for example. Do you feel that Brazil can make a leap of that kind?

[Cardoso] Those Asian countries are not democracies either as societies or in their political structures. But Brazil is a country with a democratic society. So there is a great difference. Whether we like it or not, we belong to the Western world. It is not all that genuinely Western; it is a copy, okay, but we belong to the Western world. Our thinking, our habits, and our values are different. The Asians do not value freedom, the individual, and citizenship in the same way that we do. So it is difficult to make a comparison between our possibilities and theirs.

[VEJA] But does China have nothing that might serve as a model for Brazil?

[Cardoso] One positive thing on their part is that they have sought to attract foreign capital. Another is that they have invested heavily in education and health. We here, with all those values, have not made investments of that kind. I feel that here there has been a strategic error on the part of the Brazilian elites, who do not take education seriously. They talk about it, but that is only lip service. Compared to the elites in other countries, including India, our elites are less well trained. Brazil is a country with great social mobility, and that is a positive thing, but it also carries a cost. The cost is that

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the elites frequently change in Brazil. And those people then have to be trained to lead.

[VEJA] During this first year you have taken important steps in the economic area by issuing provisional measures that took effect without being approved by Congress. Why?

[Cardoso] In the financial area, if you start the game and begin a debate, some people will win and others will lose. The same thing happens in the United States, except that there they call it an "executive order." All countries have mechanisms for action by the state.

[VEJA] You deindexed wages by means of a provisional measure. If you had put that to a vote in Congress, would it have passed?

[Cardoso] I feel that it is better to implement the provisional measure and see what happens. Congress then judges it based on actual experience. If the results are negative, it is changed. If positive, it stays. Collective bodies are not designed to make decisions of that kind except in times of revolution, when the assembly becomes a people's assembly. At such times you destroy an order and find it difficult to build a new one.

[VEJA] What is the administration doing that people do not know about?

[Cardoso] It is necessary to remake the state, and that means more than just adopting laws for government employees. It is necessary to create a new mentality—and that is a struggle. I will give you an example from Jose Serra's area: the area of housing and sanitation. What was our philosophy? Everything was at a standstill, and nothing was working. We reorganized the Savings Bank. But we spent six months fighting Congress because the deputies said we were going to take its headquarters away from one state and put it in another. There were no hidden motives: what is involved is a mentality related to a vision of what the Savings Bank should be. Serra formulated the housing and sanitation programs, and the bank continued as the government agency distributing money. It has started distributing a very small amount. But this is more complicated than having money. Previously, the mayor would come and talk to the deputy, and both would visit the Savings Bank. They would talk to the minister, and the bank president would release the money. Now things are different. There is a council in the municipality, there is the union, and there is the opposition, and everyone participates. Two politicians said to me: "The program is a good one, but what about us?" The problem is that we are breaking that traditional link. And what is happening in the housing area is being repeated in other areas. In the field of education, we have started giving money directly to the schools. And that again breaks the traditional link. It is happening in the distribution of buses, which had turned into a matter of patronage. It is happening in the field of health, since the money is going to the SUS [Unified Health System], and so on.

[VEJA] What about the reform of social security?

[Cardoso] I feel that in that area we are failing. We are not assigning due importance to the capitalization funds. The approach taken by the Ministry of Social Security and Congress calls for the distribution of benefits, not individual capitalization. Okay, that is the approach that won: Brazilian society wants distribution. I recognize that capitalization, such as they have in Chile, is easy to talk about and hard to achieve. What will be done with those already entitled to retirement? Will the state bankroll everything by itself? Even Chile, where the population is so tiny, is having problems. It is not easy. We ought to drop the distribution mechanism but accelerate supplemental social security. And the funds are important for another reason.

[VEJA] What is that?

[Cardoso] The funds can contribute to growth. How does the economy grow? By saving and investing. There may be external savings, but that is an additional factor because it brings technology and serves to prove that things are stirring. But to have sound growth, there must be internal savings. Barbosa Lima Sobrinho has a book called "Japan, Homemade Capital." He is right. We have paid a high price in Brazil. The big impetus for growth was also being provided by the state, and the state failed to save—state savings became negative.

[VEJA] Are you afraid when you think of the future?

[Cardoso] I do not think there is going to be a horrifying new world. Society has a much greater capacity for innovation than people think. In a time of transition, everybody sees tragedy. Then society reacts. Along the way, there are those who suffer, and they suffer a great deal; some may fall by the wayside. It is true that the number of working hours is going to decline. Crime is going to increase.

[VEJA] What do you like to do as president?

[Cardoso] I am not a person who is content with intellectual pastimes. I like to build things, I like roads, public works, and crops. But I do not know if I will have the chance to do everything I want, because that is not the direction being taken by my administration.

[VEJA] You have said that it is better to be president than minister of finance. Why?

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[Cardoso] I told Malan that for him today, things are easy. Being minister of finance when there is high inflation, as I was, is terrible. I did not sleep when I got home. I passed out. People would call at all hours to apply pressure, ask questions, and talk. I was living in an apartment, and the reporters would stand at the window below trying to listen to my conversations. Not now. As president, I am more protected. I live in Alvorada Palace. It is not my home, but I have freedom. I can stay here, rest, and talk. That is something I like—talking—and doing so is part of a president's job.

[VEJA] Is that protection now being provided because the government is doing all right?

[Cardoso] I do not know how things are when it is not doing all right. And I have no interest in finding out.

**Nothing Against Sivam**

[VEJA] Now that the National Accounting Office [TCU] has revealed that six of the nine military men who chose Raytheon to build Sivam received pay bonuses from ESCA [Automation and Control Systems Engineering], wouldn't it be better to cancel the process?

[Cardoso] Raytheon was chosen not by just six people, but by hundreds of experts who put in thousands of hours of work before the decision was made. The TCU document is an accusation by a judge, and it has not yet been heard by the court. Minister Adhemar Ghisi simply wants clarification from the officials who participated in making the choice. It is necessary to read the report sent to the Senate by Minister Lelio Lobo. The choice of Raytheon was made during Itamar Franco's administration, and it was legal. ESCA was the mechanism used by the Ministry of Air to ensure the training of competent technical personnel, since the normal system of public administration could not do so.

[VEJA] Doesn't that create dangerous confusion?

[Cardoso] The method may be criticized. But the criticism is not of Sivam but of the state structure. As far as the Ministry of Air is concerned, the six officials did not work for ESCA: they were its trusted people on loan to ESCA. This is so true that when I decided that ESCA had to be eliminated, we had to take those same people and send them to the Ministry of Air, otherwise they would have disbanded.

[VEJA] What about the document revealing ESCA's agreement with Raytheon?

[Cardoso] There was no agreement. That was in September 1992. ESCA made similar proposals to several firms, and if there was any one of them with which ESCA had a long tradition of contact, it was Thomson in France. Anyone familiar with these mechanisms knows that it is very common to write a letter of intention of that kind. In February 1993, the Ministry of Air ordered it canceled before ESCA took part in any selection process.

[VEJA] So the choice was made correctly?

[Cardoso] I am not prejudging. I have always said that if there was proven irregularity, I would cancel the process. Raytheon was the object of a decision made by the previous administration and ratified by the Senate. And now people are saying: break the contract. But how? On what grounds? Doing so has implications.

[VEJA] What implications?

[Cardoso] The firm would sue us because there is a contract.

[VEJA] Would there be changes in relations between the United States and Brazil?

[Cardoso] No. President Bill Clinton has never talked to me about Raytheon. That is not something that two presidents talk about. After Raytheon was chosen, Secretary of Defense William Perry and an adviser to President Clinton spoke with me. In April of last year, when I was in the United States, Secretary of Commerce Ron Brown may have touched on the subject with me. But there was no pressure.

[VEJA] What are you going to do?

[Cardoso] The TCU will say whether there has been an irregularity or not. The leader of a democratic country must listen; he cannot decide on impulse just to please people. Here in Brazil people get nervous; they want you to trample on rights to make a decision that is strong only in appearance. I believe that the charges against Sivam sometimes appear devastating because they are taken out of context or because they assume that there was bad faith.

**Landless**

[VEJA] What has your administration done for agrarian reform?

[Cardoso] We have achieved an important goal. We settled over 40,000 families last year. The last time the settlement policy was pursued energetically was during the Sarney administration, when 20,000 a year were settled.

[VEJA] Does the Landless Movement challenge that figure?

[Cardoso] Settlement means giving out land, regularizing title, placing the guy there, and helping him. There must be families who had already occupied land, but

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their titles were not regularized. So they were regularized and started receiving help from INCRA [National Land Reform and Settlement Institute]. The goal for 1996 is to settle 60,000 families.

[VEJA] How many landless people are there in Brazil?

[Cardoso] That is a complicated question. Very few are camping out, and we are going to settle them immediately. They total about 16,000 families.

[VEJA] Only 16,000 families are camped out?

[Cardoso] That is all, but it can be expected that others will come in new batches. Here we have to distinguish between two kinds of people. There is the former small landowner who was evicted from his land. This happens basically in the southern part of the country. Then there is the poor field worker who has been hurt by farming technology. There are countless poor field workers. Is the problem solved by giving land to those people? Oh, it is complicated. Those who have a tradition of farming will find their problem solved by agrarian reform.

[VEJA] Is INCRA's help not enough?

[Cardoso] It is not that simple. The guy who receives poor land is in a difficult situation. In the northeast, for example, there are problems with the soil. One fact that impressed me was the number of INCRA settlements that no longer depend on the government for help: only 10 percent.

**Health**

[VEJA] What has your administration done in the field of health?

[Cardoso] Putting it simply, we doubled our spending from one year to the next. I read an article by Minister Adib Jatene saying that France spends $100 billion for a population of 60 million. Well, in terms of the Treasury's available funds, we have done the maximum. We spent more on health in 1995 than expected. The budget was 14 billion reals, and we spent 15 billion reals.

[VEJA] Is the new tax necessary?

[Cardoso] Besides being an excellent surgeon and a competent administrator, Jatene is familiar with the budget. He saw that there was no more possibility of increasing the health field's share in terms of what was needed. So he proposed another tax.

[VEJA] The impression is that the administration has washed its hands of the matter. If Jatene is successful, good for him. If he is not successful, tough luck.

[Cardoso] I went to bat to get the tax passed in the Senate. The problem is that no one likes taxes, much less this one. It is just that no one has come up with a solution for filling the gap of 4 billion or 5 billion reals. So there is no alternative. He who does not have a dog hunts with a cat. I am going to fight for its approval in the Chamber of Deputies.

[VEJA] But is health care only a matter of debating budgets?

[Cardoso] No. Minister Jatene has launched an important program involving community health agents. We have increased their number from 29,000 to 40,000, and the result is a revolution in infant mortality. The guy goes to the needy community and teaches simple things such as the treatment of minor illnesses and the rules of hygiene and finds out if the people have been vaccinated. It is working very well. But the biggest impact on the population's health has been the improved level of nutrition made possible by the real. This is going to have a very positive effect on the population's health.

**Privatization**

[VEJA] Why has privatization come to a halt?

[Cardoso] Simply because the easy phase of privatization is over. It is easy to sell steel plants or petrochemical companies. Why? Because they are not firms providing a public service. There was some reaction, but the firms were auctioned off. Now the process is entering the area of public utilities. And in that area, you either prepare the state to protect a number of interests or there is no way to privatize.

[VEJA] What are those interests?

[Cardoso] The interests of the citizen, the consumer, the taxpayer, and the state itself. It is a matter of creating the operating conditions for an economy which is not nationalized but which has a state that protects society. I will give you an example. We are going to privatize Light [Power Services, Inc.], but we have been unable to separate Light from Eletropaulo [Sao Paulo Power, Inc.]. Light owns 49 percent of Eletropaulo. If I privatize Light in that situation, I will be giving a pile of money to whoever buys it because Eletropaulo is not worth anything today, but it will be worth something in the future.

[VEJA] Why don't you separate them?

[Cardoso] A judge issued a preliminary injunction prohibiting the shareholders meeting that would have authorized separation of the companies. Since the appraised value of the firm is valid for only 30 days, Light will have to be reappraised. The government also has hydroelectric plants on which construction was at a standstill, and they have been awarded to private firms.

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[VEJA] Is the construction being done by private firms?

[Cardoso] Some projects are making progress, examples being Igarapava (Minas Gerais), Ita (Santa Catarina), and Serra da Mesa (Goias). The firms are in charge of construction and will operate the services. But it is difficult to privatize large complexes such as Furnas [Furnas Electric Power Plants, Inc.] and the Chesf [Sao Francisco Hydroelectric Company]. How can they be sold if there is no government agency to regulate the energy system? We are talking about billions of dollars. An investor is not going to invest all that money without knowing the rules of the game. What kind of system will determine the rate: what will the rate be?

[VEJA] Is it necessary to establish new government agencies?

[Cardoso] No doubt. Reform of the state requires the establishment of new agencies to carry out government policies. The National Petroleum Council stopped functioning because Petrobras became the state's agency for implementing petroleum policy, and it eventually turned into a branch of that firm. So the need is to set up an authority that does not manage the sector but simply regulates it and oversees it.

[VEJA] Do such agencies exist in Great Britain?

[Cardoso] We are going to have them here, too. Great Britain has been working at it for 10 years; it is not easy. The thing that is slow is the restructuring of the state. Could it be done faster? Perhaps it could. But with the funds at my disposal, no.

[VEJA] So there are no funds for privatization?

[Cardoso] There are no funds for anything. I have a personal and intellectual interest in the energy sector because I am the author of the Senate bill on concessions. I am constantly talking to Minister of Mines and Energy Raimundo Brito, a good minister, about the matter. Establishing regulatory agencies requires laws. The bill on the Petroleum Council is now complete, and it should be before Congress soon.

[VEJA] In what sectors is privatization making progress?

[Cardoso] The number of private ports already operating in our country is large. In the case of highways, we have also privatized the Dutra and Juiz de Fora-Rio de Janeiro Highways.

**Brazil: Year-End Data on Reserves' Total**

*96SM0074A Sao Paulo GAZETA MERCANTIL in Portuguese 22 Jan 96 p B5*

[Article by Janes Rocha: "Reserves Reach $51.8 Billion"]

[FBIS Translated Text] Brasilia—Brazil is entering 1996 with international reserves totaling $51.8 billion. One year after the exchange crisis that jolted Mexico and led economists and experts to predict that the "earthquake" would reach down to Brazil and Argentina, our country is recording the highest level of international reserves since 1980, both in terms of international liquidity (meaning assets which the country can realize only in the medium and long term) and in terms of cash (everything realizable immediately), which totaled $50.449 billion. Compared to 1994, the reserves are up by 34 percent.

Brazil's unbeatable interest rates obscured not only the Mexican crisis but also measures adopted by the government to contain the entry of foreign funds last year, one example being the higher financial operations tax (IOF) imposed on fixed-income funds.

The flow of foreign investment into financial assets and the capital market and direct investments in subsidiary firms rose from $27.214 billion to $28.010 billion. In the other direction, the outflow of funds, totaling $20.768 billion, resulted in a favorable balance of $7.2 billion. That amount is 22 percent below the 1994 balance, which totaled $9.3 billion.

According to an expert at the Central Bank (BC), it was the fixed-income funds which lost the most, with a net outflow of $985 million compared to a net inflow of $1.3 billion. Funds repatriated as a result of the Mexican crisis and the higher IOF rate are pointed to as being responsible for that result.

Portfolio investments—basically company shares—also dropped, going from $5.079 billion to $4.753 billion, as did the amount of money invested in privatization funds (down from $983 billion [as published] to $504 billion [as published]). On the other hand, direct investments, which represent contributions of capital by foreigners to subsidiary firms, made a sizable leap: from $1.912 billion to $2.970 billion.

Loans in currency, comprising issues of securities and commercial paper, bonds and notes, and direct transactions by nonfinancial Brazilian firms with foreign institutions (whether financial or not) without the issuing of securities, totaled $15.9 billion, an increase of 81.4 percent.

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Foreign exchange contracts in 1995 showed a surplus of $15.8 billion, thereby revealing a sharp reduction compared to 1994, when our country had a surplus of $17.8 billion. The final result for 1995 consisted of the $13.7 billion surplus in the free segment ($11.596 billion at the commercial rate and $2.056 billion at the financial rate) and $2.148 billion in the financial segment.

**Brazil: Year-End Data on Monetary Base**

*96SM0074B Sao Paulo GAZETA MERCANTIL in Portuguese 22 Jan 96 p B5*

[Article by Janes Rocha: "Monetary Base Causes Surprise"]

[FBIS Translated Text] Brasilia—The volume of money in circulation in the economy during December exceeded all the most pessimistic expectations. The balance in the monetary base (paper money issued plus the bank reserve) jumped from 15.5 billion reals at the end of November 1994 to 21.6 billion reals at the end of December 1995. Government disbursements for the Program to Stimulate the Restructuring and Strengthening of the Financial System (Proer) and for financial liquidity assistance to help the banks balance their cash at the end of every day, plus the greater demand for money that always exists at yearend, caused the monetary base to increase by 51 percent in only one month.

Disbursements by Proer totaled 1.418 billion reals in December, or far less than the 4.19 billion reals released in November. Gustavo Loyola, president of the Central Bank (BC), told this newspaper that all that money was spent to support the merger between Banco Nacional and Unibanco. Banks borrowed 614 million reals in the form of financial liquidity assistance last month.

The balance in the monetary base at the start of this year was the highest in the past two years, and it forced the BC to engage in various operations to sell securities in the market to wipe up liquidity, the purpose being to prevent interest rates from dropping to an undesirable level.

The acting head of the BC's Economic Department, Dalmir Louzada, said that the concept of average daily balances is a more faithful reflection of changes in the volume of money in circulation from day to day.

Louzada said that in fact, if the change in the monetary base from November to December is analyzed from the standpoint of average daily balances, it turns out to have been almost equal to the change for last year: 23.9 percent compared to 23.2 percent.

According to the economist, this reflects normal activity for the yearend, which is when people receive their 13th month of salary and, in many cases, their vacation pay and when people in general withdraw money that they have saved up to spend on Christmas and New Year's presents and celebrations. He explained that financial liquidity assistance to the banks is also higher in December, precisely because of the high volume of investment funds being withdrawn from the banks by their customers.

The fiscal imbalance in the public accounts also contributed to the growth of the monetary base. Expenditures by the National Treasury to pay federal employees (vacations and the second installment of the 13th month of pay) exceeded the amount collected in taxes, resulting in the injection of another 913 million reals into the economy. The only financial activity having a constricting effect—that is, the only one removing money from circulation—was the collection of compulsory levies on short-term financial investment funds (FIF-CP's) (a total of 1.1 billion reals).

The volume of paper money issued in December was also the highest since 1994. It totaled 13.155 billion reals for an increase of 29.6 percent over November and a cumulative increase of 43.5 percent for the previous 12 months. In this case, however, the issue of paper money was less in 1995 than in the year before, when the increase for the month was 32.6 percent and the cumulative increase for the year was 165.2 percent. Louzada explained that the increase at the end of 1994 was due to "a higher level of economic activity" in that period than at the end of 1995.

The BC itself decided to redeem 2.4 billion reals worth of the securities it had on the market, thus putting more money into circulation. That operation, added to the purchase of 268 million reals worth of foreign exchange, contributed to the expansionary monetary policy in December.

**Domestic Debt up 30 Percent Through November**

Brasilia—While the external accounts assured Brazil of a good cash position in 1995, the domestic accounts were more problematical. The public sector is ending the year with a monumental debt, and as predicted, the states and municipalities increased their contribution to indebtedness. According to a report published by the Central Bank (BC) on Friday, the public sector's net debt through November 1995 (the most recent data available) totaled 199.769 billion reals, for an increase of 30 percent over the balance of 153.163 billion reals recorded in December 1994.

The state owes the equivalent of 31 percent of the gross domestic product (GDP), which totals 594.284 billion reals according to the BC's calculations. Of that total

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of nearly 200 billion reals, the Federal Government and the Central Bank accounted for 13.2 percent, the states and municipalities increased their share from 9.5 to 11 percent, and the government-owned firms kept their share practically unchanged at 6.8 percent.

"The situation of the states and municipalities is serious," says Mauro Grupione Cortes, head of the Monetary and Banking Division in the BC's Economic Department. The reason is that the cost of their debt is higher than that of the Union's debt.

The public sector's financing requirement points up that situation more clearly. It reveals a nominal deficit equivalent to 6.8 percent of GDP, or 40.6 billion reals, for the period from January through November.

**Brazil: New Procedures for Naturalization**

*96SM0077A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 11 Jan 96 p 6*

[Article by Tania Monteiro]

[FBIS Translated Text] Brasilia—Today the Ministry of Justice initiated a campaign to display the new facilities that foreigners will have in the naturalization process. The new method will dispense with the need for third-party intermediaries, such as lawyers and clerks, to translate the legislation and intervene with the documents. The requirements were simplified and four naturalization forms were created, which may be found at all the Federal Police units. The procedures, which previously took from six months to a year to be completed, will be cleared in two months.

The government also wants to learn how many foreigners are living in the country without proper documentation, and intends to conduct a kind of fine-toothed operation for this purpose. They number nearly 8,000, the majority being Koreans, Chinese, and persons of Arab descent.

Sandra Valle, secretary of justice, noted that the government will begin the operation as quickly as possible, but pointed out that the measure is not intended to frighten anyone. She explained: "That is not the policy of the Brazilian Government." Sandra indicated that the government will request speedy approval of the new Law on Foreigners being transacted in the Chamber, adding that it provides a new amnesty for those living in the country without proper documentation.

With the passage of the law, foreigners without proper documentation may become legal. During the 1980's, Brazil granted two amnesties: one in 1980 and another in 1988. During that period, it was expected that 35,000 persons would appear, but only 8,000 were registered.

From now on, with the change in naturalization procedures, all foreigners in the country without proper documentation who wish to become naturalized must apply to the Federal Police and fill out one of the four forms established by the Ministry of Justice.

To achieve naturalization, it is necessary to meet 10 requirements. They include being a permanent resident of Brazil, knowing how to read and write in Portuguese, and not having any criminal conviction in the country or abroad with a minimum sentence exceeding one year.

## Chile

**Chile's Pinochet Hospitalized With High Blood Pressure**

*PY1602024796 Santiago Universidad Catolica Television Internacional in Spanish 0000 GMT 16 Feb 96*

[Live relay by Pablo Honorato from the Military Hospital]

[FBIS Translated Text] Army Commander General Augusto Pinochet was admitted to the Military Hospital at 1930 yesterday to undergo a number of medical checkups.

Army Communications Chief Colonel Fuentealba reported that General Pinochet suffered yesterday from slight high blood pressure at his private residence in Santiago. Therefore, he was taken to this hospital, where he underwent a number of medical checkups.

It has been reported that General Pinochet will be allowed to go home tomorrow. It should be noted that General Pinochet is on vacation. We have also been told that what he suffered is not serious; it was caused by slight high blood pressure, and this is why he had to undergo a number of medical checkups.

**Chile's Insulza Arrives in Asuncion on Mercosur Tour**

*PY1502145396 Asuncion ABC COLOR in Spanish 15 Feb 96 p 12*

[FBIS Translated Text] Chilean Foreign Minister Jose Miguel Insulza arrived in Paraguay on the evening of 14 February. Upon arriving in Asuncion, Insulza declared that he has come to discuss issues pertaining to Mercosur [Common Market of the South] and bilateral relations. The Chilean foreign minister will be received by President Juan Carlos Wasmosy on the morning of 15 February. He will also hold a working meeting with his Paraguayan counterpart Luis Maria Ramirez Boettner.

The Chilean foreign minister arrived in Asuncion at 2215 local time aboard a private plane from Montevideo

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(Uruguay). Paraguay is the third leg of a tour of Mercosur member countries by the Chilean foreign minister. He has already made a state visit to Brazil and Uruguay, and is scheduled to depart for Buenos Aires, Argentina, this afternoon.

Shortly after arriving in Asuncion, Insulza told ABC COLOR newspaper: "We will discuss Mercosur and bilateral issues." The visitor will have an audience with the head of state at Government House at 0730. An hour later he will meet with Ramirez Boettner, and at 0900 they will hold a working meeting at the Foreign Ministry. At 1130, the Chilean minister will be decorated with the Extraordinary Grand Cross of the National Order of Merit during a ceremony at the Foreign Ministry.

The Chilean foreign minister was welcomed at the Silvio Pettirossi International Airport by Bernardino Hugo Saguier, newly appointed Paraguayan ambassador to Chile; Chilean Ambassador to Paraguay Luis Jerez Ramirez; Geronimo Narvaez, Paraguayan Foreign Ministry protocol director; and Horacio Nogues Zubizarreta, former Paraguayan ambassador to Chile.

**Chile's Insulza, Paraguay's Wasmosy View Mercosur, Trade**

*PY1502221596 Asuncion ULTIMA HORA in Spanish 15 Feb 96 p 13*

[FBIS Translated Text] "Chile will close an agreement with Mercosur [Common Market of the South] very soon. What we are negotiating is a free trade agreement between Chile and Mercosur," Chilean Foreign Minister Jose Miguel Insulza said this morning after a meeting with President Juan Carlos Wasmosy.

"I do not like to talk about dates because trade negotiations can always face unexpected turns. However, we do not see any reason why we should not have an agreement in a few months," Insulza said, referring to the date for the conclusion of such an agreement between Chile and Mercosur.

The minister, however, was clear: At this time Chile is not contemplating joining Mercosur. "Our only purpose is to sign a free trade agreement. We could work on closer integration ties from that point on."

The Chilean foreign minister is visiting the four capitals of Mercosur member countries. He started in Brasilia; yesterday he went to Montevideo, and this afternoon he will continue on to Buenos Aires. Insulza is trying to iron out some details that are delaying the future free trade agreement, which "we expect to have ready after a couple of rounds of talks," Insulza said.

Another issue discussed by Insulza and Wasmosy was the project to build a bi-oceanic corridor connecting Asuncion and the Chilean port of Iquique. "We expect that we will be able to develop this project very soon," Insulza said.

"It was a very pleasant, a very kind, conversation, as always. President Wasmosy has a great friendship with us. Of course, this feeling is reciprocal," Insulza said.

**At the Foreign Ministry**

At the end of his meeting with President Wasmosy, Insulza and his technical team met with Foreign Minister Luis Maria Ramirez Boettner at the Foreign Ministry.

At 1130 Ramirez Boettner decorated the Chilean foreign minister with the National Order of Merit, in the degree of Grand Cross Extraordinary.

**Chilean, Uruguayan Ministers Meet; Mercosur Ties Viewed**

*PY1502221896 Santiago EL MERCURIO in Spanish 15 Feb 96 p C2*

[article by Elia Simeone]

[FBIS Translated Text] Montevideo — The Chilean and Uruguayan Governments expressed yesterday in this city their confidence that by 31 March of this year, Chile and the members of the Common Market of the South (Mercosur) will reach a full agreement on trade.

Chilean Foreign Minister Jose Miguel Insulza and his Uruguayan counterpart Alvaro Ramos pointed out that the will of the two parties is to issue a document reporting their full understanding, and that at a later date a solemn ceremony will be held for signing the agreement.

This objective, however, still seems difficult to reach because only more than one month remains and there are still differences that have become difficult for the negotiators to overcome.

Therefore, some observers believe that in order to reach a full agreement, it will be necessary to have the participation of the presidents of the Mercosur countries.

In the meantime, Ministers Insulza and Ramos expressed the will of their governments to make their positions more flexible in order to help in reconciling the interests of the five countries (Chile, Argentina, Brazil, Uruguay, and Paraguay).

The purpose of Insulza's trip to the capitals of the four Mercosur countries was to talk with the officials of those countries on the conflictive points, and to determine the

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mutual limitations and problems facing each country for a greater opening in their economies.

The Chilean Government wants to prepare concrete proposals on how to overcome the most conflictive points and to present them during the technical meeting on 29 February and 1 March in Buenos Aires.

The technical meetings will be essential to find out if Chile and the Mercosur countries will really be in condition to announce a full agreement by 31 March.

The Chilean negotiators believe that extending the talks for reaching an agreement beyond that date would be useless because the parties are so close to such an agreement.

In a news conference, Insulza said he doubts the negotiations will have to be extended throughout this year. Minister Ramos said that the idea is to, at the least, start with an understanding by issuing a document containing all the points of a future agreement.

This is a diplomatic practice used frequently because the solemn signing of an agreement of this kind requires that all aspects and annexes be ready, and this is a process that will take several weeks for the experts to prepare.

Uruguay was the second leg of Insulza's tour, which began in Brasilia yesterday. In the evening Insulza left for Asuncion, where he had dinner with Paraguayan President Juan Carlos Wasmosy. Insulza is scheduled to hold a working meeting with Wasmosy at 0700 today and at noon, approximately, he will depart for Buenos Aires.

In about three days, and after 17 hours in the air, Insulza hopes to complete a tour of the four Mercosur countries.

In the face of any Chilean effort to try to negotiate separately with each Mercosur country, Foreign Minister Ramos pointed out yesterday that Insulza's meetings cannot be considered negotiations because the talks are being held under the four plus one context; in other words, the Mercosur countries are carrying out the negotiations as a single bloc.

Ramos denied that his country is taking an inflexible position regarding the Chilean entry into the Mercosur. He said that the emergence of differences is only natural because in some areas Chile is more competitive than Uruguay and vice versa. Ramos said, however, that this situation can be overcome if a projection toward the future is made.

Foreign Minister Insulza also met yesterday with Uruguayan President Julio Maria Sanguinetti and Foreign Minister Ramos at Government House.

Ramos then announced that President Sanguinetti will pay an official visit to Chile on a date to be established, sometime in late July or early August.

**Chile's Insulza in Buenos Aires as Part of Mercosur Tour**

*PY1602025896 Buenos Aires TELAM in Spanish 1828 GMT 15 Feb 96*

[FBIS Translated Text] Buenos Aires, 15 Feb (TELAM) — Chilean Foreign Minister Jose Miguel Insulza arrived at the Jorge Newbery military base at 1510, coming from Asuncion. At 1700 Insulza will meet with Foreign Minister Guido Di Tella at the Foreign Ministry.

Insulza was received at the airport by Protocol Chief Rodolfo Saravia and Chilean Ambassador to Argentina Eduardo Rodriguez Guaraschi.

[TELAM in Spanish at 2252 GMT on 15 February, in a related report, says: "Foreign Minister Guido Di Tella has said that negotiations for Chile's integration into Mercosur [Common Market of the South] will be completed 'before the end of March' at the free trade zone level. These remarks were made during a news conference the foreign minister held with his Chilean counterpart this afternoon.

"Insulza, in turn, said that 'for Chile, the country's integration with South America is a priority,' and he announced that negotiations for Chile's integration into Mercosur will continue in this city on 29 February."]

**Chile: Status of Native Forests Viewed**

*96P20285A*

[FBIS Report]

**Symposium Cancelled**

The symposium on native forests sponsored by the National Environmental Commission, which was to be held on 15-17 January, was cancelled after a "sudden decision" by the entire technical team from the Ministry of Agriculture, including Minister Emiliano Ortega, not to participate or attend. The Senate Commission on Natural Resources and the Environment had also requested the symposium be held so that the senators could obtain information for the discussion of the government's new bill on the native forests. Other government officials, businessmen, scientists, and environmental groups had planned to attend as well. An official of the National Committee To Defend the Fauna and Flora (Codeff) said that the withdrawal by the Agriculture Ministry "is another sign that government sectors have no interest in opening the subject of natural resources up to public discussion and participation." (1)

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**French Study**

A study conducted by the French National Forestry Office in the second half of 1995 in Chile has concluded that the marketable forests of lenga (Nothofagus pumilio) in the Magallanes region will be gone in 20-30 years at the current rate of exploitation, which the study calls "excessive." If this happens, it would take another 60-80 years to regenerate more timber, according to the study. The study was commissioned by the Lumber Corporation (Corma) of the southern region, the Production Development Corporation, and Pro-Chile, which wanted to obtain an "internationally recognized seal of environmental sustainability" for the use of the lenga forests in the Magallanes region. Instead, the study confirmed the projections of a controversial report by the Central Bank and the Southern University about the disappearance of the native forests. The French study also expressed "harsh criticism" of the lumber companies' operations and the Chilean National Forestry Corporation's forest management policy, calling it "weak, permissive, shortsighted, partial, and backward." (2)

**Native Forests Bill**

The Frei government's bill on native forests is intended to completely replace the previous bill, promoted by former President Patricio Aylwin, which was passed by the Chamber of Deputies in 1993 and has been stalled in the Senate Agriculture and Environmental Committees ever since.

The Association of Forestry Engineers for the Native Forest has harshly criticized the government's bill. The association, with a membership of 120 professionals including "some of the best academics and scientists in the country," states that the bill encourages the destruction of native forests and their replacement by plantations of nonnative species. The bill establishes tax rates per hectare which depend on the quality of the forest. The association alleges that the lumber companies would "degrade" the quality of the forests as "they are doing today," pay less in taxes, and then be free to replace the forests with plantations.

Party for Democracy (PPD) Senator Sergio Bitar and PPD Deputy Guido Girardi have also expressed "serious reservations" about the bill, and proposed the creation of a high-level technical committee of the National Environmental and Development Commission (Conama) to carry out an annual evaluation and monitoring of the status of natural resources in general. They intend to propose changes to the bill, including a ban on replacing native forests with plantations and on cutting forests to clear land for cattle raising. Girardi also noted that the bill loosens restrictions on cutting trees by springs and rivers. (3)

Lumber interests in the 12th Region have objected to the bill as well. According to Cristian Loeser of the Magallanes Corma, landowners will have to pay more in taxes per hectare than they can earn from the lumber. Loeser says that the tax will cause an increase in illegal cutting by small landowners. (4)
(1) Santiago LA NACION in Spanish 13 Jan 96 (2) Santiago LA NACION in Spanish 28 Dec 95 (3) Santiago LA NACION in Spanish 8 Jan 96 (4) Santiago EL MERCURIO in Spanish 8 Jan 96

## Colombia

**Colombian Prosecutor Reaffirms Assertion on Drug Funds**

*PA1602031596 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Feb 96*

[From the "Seven O'Clock" newscast; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT on 16 February]

[FBIS Translated Text] In the criminal accusation against President Ernesto Samper, the Prosecutor General's Office flatly declared that drug traffickers' money did filter into the campaign for president. This is one of the conclusions reached in the documents that Prosecutor General Alfonso Valdivieso presented to the Accusations Committee.

The most surprising aspect of the document, which consists of nine annexes, is that it did not point to specific offenses, as was reported last night, but outlined actions that President Samper committed. The document establishes the following:

1. The campaign's bookkeeping was altered to conceal the fact that expense ceilings had been exceeded. This constitutes a violation of the law.

2. The ceilings permitted by the Electoral Council were exceeded.

3. The state was led into error with the purpose of prompting it to give money to the campaign.

4. The state's patrimony was cheated in an action in which Samper himself is seriously involved.

Another point mentioned by the document is that several actions were carried out to conceal the truth of what really happened during the campaign. This could lead to declaring the president untrustworthy.

In addition, the document says the government used several tricks to try to keep the administration of justice from learning the truth.

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Annex 9, which deals with the campaign's bookkeeping, is regarded as the most important, because it gives a detailed account of income and expenses. A study revealed that 14 billion pesos were spent in the campaign.

Finally, one of the videos presented as evidence is a copy of one that Fernando Botero had handed over to the Prosecutor General's Office. In it, Pablo Escobar says he gave money to Samper during the campaign in which now former President Lopez Michelsen was reelected in 1982.

**Colombian Court President 'Never Pressured' by Government**

*PA1602044796 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Feb 96*

[From the "Seven O'Clock" newscast; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT 16 Feb]

[FBIS Translated Text] Constitutional Court President Jose Gregorio Hernandez today said he was never pressured by the government into deciding for or against the term of the prosecutor general. State adviser Guillermo Chain has said, however, he had already reported the existence of pressure.

The accusation in a memorandum that former Minister Botero has sent to the government in an attempt to manipulate Constitutional Court and Council of State magistrates about Prosecutor General Valdivieso's staying in office has elicited strong reactions:

[Begin recording] [Unidentified speaker] The Constitutional Court will not bend before flattery, insults, or threats, let alone pressures, regardless of their origin.

[Magistrate Alejandro Martinez] I am grieved by people saying in the document that I can be manipulated; never. I am grieved by that.

[Unidentified reporter] In your particular case, did you talk with Maria Izquierdo and Senator Samuel Moreno?

[Martinez] They are personal friends of mine. [end recording]

In addition, the Council of State magistrates mentioned in the memorandum have declined to comment. The only one willing to speak was Chain, who had already resigned.

[Begin Chain recording] No one has called to pressure me in any way whatsoever. Had I been pressured, I would have reported it. [end recording]

**Colombian Representative on Investigation of Samper**

*PA1602043596 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Feb 96*

[Report by Juan Carlos Mateus from the "Seven O'Clock" newscast; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT 16 Feb]

[FBIS Translated Text] No one on the Accusations Committee is willing to investigate President Samper. No one wants to have anything to do with this hot potato.

When everything indicated that Liberal Representative Jesus Ignacio Garcia was the new investigator, he declined, saying that these are the same facts Heine Mogollon had been investigating and that, therefore, the latter should continue with the proceedings:

[Begin Garcia recording] Mogollon will have to report to the Committee on 20 February. If Mogollon does not want to continue, the committee, in its wisdom, will have to decide whether to designate another investigating committee or investigator. The point is that the trials did not have to be circulated. [end recording]

Something was never clarified, however; that is, how the trials that rest with the Accusation Committee were circulated or why Garcia was appointed investigator:

[Begin recording] [Mogollon] They started to distribute the trials among themselves ahead of schedule.

[Unidentified reporter] [Words indistinct].

[Mogollon] Yes, but they could have verified that at the secretariat. [end recording]

Prosecutor General Alfonso Valdivieso will reaffirm his accusation under oath on 19 February.

**Colombian Representative Declines To Serve Accusations**

*PA1602012396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2258 GMT 15 Feb 96*

[Report by Hernando de la Fuente]

[FBIS Translated Text] Jesus Ignacio Garcia, Cauca Department representative to the Chamber of Representatives, has just released a communique saying he declines to be the server of an accusation against President Ernesto Samper, because, he has said, a trial cannot have two accusations. Investigations Committee Secretary Jose Manuel Delgado has read the communique in this station:

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[Begin Delgado recording] The Chamber of Representatives hereby reports that copies of the accusation presented by Prosecutor General Alfonso Valdivieso against President Samper were distributed today. Having studied the text of the accusation, the Chamber has found that it deals with the same facts to which File 597 of 1995 refers.

According to the law, two trials with the same charges cannot be initiated against the same accused person or persons. I have ordered the matter to be sent to Representative Heine Mogollon, who has been handling this matter and under whose jurisdiction it falls. [end recording]

This is the communique reporting that Garcia declines to be the person who presents the accusation against President Samper.

**Colombia's President Urges Passage of Draft Bill**

*PA1602012196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2100 GMT 15 Feb 96*

[FBIS Translated Text] President Ernesto Samper Pizano this afternoon sent an urgent message to Congress requesting the expeditious passage of a draft bill that seeks to lift the confidentiality from the case against him. He also requested that legislative directors summon joint deliberations so the Senate and Chamber of Representatives may begin discussing this bill.

The president sent the following letter to the Congress president and directors.

Respectfully Messieurs: The national government has submitted for the consideration of the honorable Congress a draft bill to add an article to the Penal Procedure Code with a view to eliminating the confidentiality surrounding congressional discussions on Article 174 and Numbers 3 and 4 of Article 178 of the national Constitution when dealing with the president of the Republic. This draft bill was included in the legislative agenda of the current period of special sessions.

Taking into account the importance this draft bill has on Colombia's urgent need to guarantee the clarity of the case, which is a fundamental element to the credibility of the legislative branch and the democratic acceptance of its decisions, I courteously request that you deal with this draft bill with urgency, as Article 163 of the Constitution specifies.

In addition, the national government requests that joint deliberations take place by the corresponding committees in order to hold the bill's first debate in accordance with Article 163 Subparagraph 2 and Nr. 2 of Article 169 of Law No. 5 of 1992.

The government expresses its gratitude in advance for the attention given to this urgent message.

Attentively,

Ernesto Samper Pizano.

The letter is addressed to Dr. Julio Cesar Guerra Tulena, president of the Senate; Dr. Rodrigo Rivera Salazar, president of the Chamber of Representatives; Dr. Jose Renan Trujillo Garcia, president of the First Committee of the Senate, and Dr. Willie Roberto Herrera Espinoza, president of the First Committee of the Chamber of Representatives.

**Colombia's Samper Urges 'Fair, Swift, and Open' Process**

*PA1502234896 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 15 Feb 96*

[From the "National Newscast"; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 1830 GMT 15 Feb]

[FBIS Translated Text] President Ernesto Samper today spoke after it became known yesterday that Prosecutor General Valdivieso filed charges against him at the Accusations Committee of Congress. The president called for a fair, swift, and open process. He spoke at the dedication of the U.S. Embassy:

[Begin Samper recording] The proceedings that began today, following the filing of charges yesterday by the prosecutor general at the Accusations Committee, cannot be limited to a sterile clash between the president, Congress, and the Prosecutor General's Office, as the media want it to be.

The process cannot always be conducted under the cloak of secrecy based on leaks, the exhibiting of certain evidence and testimony and the hiding of other evidence, or the replacing of legal evidence by gossip. The credibility of the ruling will depend on the clarity of the trial, and I am committed to clarity. [end recording]

**Colombia's Serpa Denies Attempts To Remove Prosecutor**

*PA1602032496 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Feb 96*

[Report from the "Seven O'Clock" newscast; monitored from a retransmission from Lima Sistema Unido de Retransmision Television at 0100 GMT 16 February]

[FBIS Translated Text] Government Minister Horacio Serpa has admitted that government officials met to discuss the prosecutor general's future. Serpa, however,

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denied the existence of a conspiracy to oust Valdivieso from his position.

[Begin recording] [Serpa] It is true that we dined together, talked about a number of subjects, and discussed political realities and the prosecutor general. These have been current subjects in the country for a long time, but it is not at all true that there is a plot or an agreement that would result in certain situations.

Now, regarding my participation in the [words indistinct] activities. Well, first of all, this is an insult to the distinguished magistrates. Also, they can tell very clearly whether or not the government took any actions, approached them, or pressured them into making such a decision. That never happened.

[Unidentified reporter] What about a reported accusation that you kept some money from the campaign? Mrs. Patricia de Castro testified against you. Is there anything true about this accusation?

[Pardo] Absolutely nothing. I do not know where so many tales are coming from. There is great interest in accusing me of irregularities and crimes, all of which are completely false. [end recording]

**Colombian Business Leaders Call For Samper's Resignation**

*PA1502232896 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 15 Feb 96*

[From the "National Newscast"; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 1830 GMT 15 Feb]

[FBIS Translated Text] More than 100 of Antioquia's major business and industrial leaders today publicly called for President Ernesto Samper's resignation.

In an open letter, a group of Antioquia businessmen, industrialists, cattle growers, and politicians contends that President Samper is unable to continue governing the country, because he lacks leadership and credibility. In addition, they reject the call for a referendum to decide whether Samper should remain as president.

Signatories of the letter include former Magistrate Jesus Vallejo Mejia, (Luis Miguel Deleduth), manager of the newspaper EL COLOMBIANO, as well as businessmen Juan Miguel del Corral, Gabriel Restrepo, Fernando Uribe Uribe, J. Mario Aristizabal, (Nicolas Desubiria), Carlos Alberto Robles, and Carlos Enrique Moreno, among others.

**Colombian Newspaper Denounces Efforts To Defend Samper**

*PA1302145096 Santa Fe de Bogota EL NUEVO SIGLO in Spanish 12 Feb 96 p 3A*

[Editorial: "Cannot Be Denounced?"]

[FBIS Translated Text] The country is being assaulted by surprises, one after another. Yesterday, the newspaper with the largest circulation, on a request from its directorate, sent the president some questions so that he could uphold a position that is not only preposterous but also scandalous: that no one can denounce the chief of state. This is what can be gathered from Mr. Samper's statement in which he tells the prosecutor general that he "must not take sides." This convenient interpretation is backed by the editorial of the morning newspaper with a brief remark that the prosecutor general cannot reach conclusions. If this maneuver or plot were to succeed, the opinion abroad of Colombia's justice would suffer serious discredit. It is already evident that every effort will be made to hide the truth. All that had been missing was this stratagem to keep the prosecutor general from acting, disqualifying beforehand whatever position he may assume.

The Constitution, with the backing of the Constitutional Court's ruling on this, states that the prosecutor general and all private citizens can denounce the president, the justices, and all other high ranking state officials having special privileges before the Chamber of Representatives. Now, the possible suspect, the president of the Republic himself, by means of a newspaper article and transgressing constitutional norms and legal rulings of the court in this regard, has instructed the prosecutor general on what he must do and must not do. How terrible! The state of desperation is reaching unbelievable limits. Let's see what the president says in his self-interview: "Let's say it in a few words: It would be better for the country if the prosecutor does not take sides, which is what befits his high office." This means that the prosecutor general would become a simple messenger whose task in the investigation of presidents would be reduced to sending files on investigations. It must be reiterated here that the Constitution speaks of the prosecutor or any other citizen filing charges. Furthermore, these charges must be acknowledged under oath. When the president says that the only thing the prosecutor can do is send to the Accusations Committee of the Chamber of Representatives "the evidence or alleged evidence against me," he is foretelling how everything concerning the accusation against the president will be handled.

If the prosecutor general cannot file charges, then the Accusations Committee, which is another accusatory entity, cannot do it either. This is a way to continue

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misguiding the people on a matter that is producing an endless and acute credibility crisis regarding the president and the legitimacy of his exercising that office. The president has asked that the proceedings secrecy be lifted and has asked that what he calls his natural judge, Congress, initiate the trial against him. When this is about to be done, the president uses a newspaper report to shun the authority the prosecutor general has to have his say. In his reply to the questionnaire agreed on with the largest-circulation newspaper, Samper adds: "Now the problem is to secure the judicial truth, not the political truth, which is what some want." Here again the person who went to Congress to ask that it freely examine all his actions as candidate and as president, decides to deny the legislative body its constitutionally granted attribution to exercise political supervision and control, a fundamental function of all congresses of the world.

As the country has been observing for a year, cover-up efforts will continue. An effort is being made to obstruct the prosecutor general's independence. There is no evidence supporting the president's claim that decisions by his investigators and judges will be given clear support. It is known that the people do not have much confidence in Congress and on what may happen there. The country, however, believes in the integrity of the prosecutor general. However, obstacles are already being erected to obstruct his mission to uphold the truth. The prosecutor general must be impartial and just, but not neutral before crime. He made this commitment when he was sworn in office.

**Colombian Minister Denies Security Reduced for Botero**

*PA1402014396 Santa Fe de Bogota Radio Cadena Nacional in Spanish 0000 GMT 14 Feb 96*

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] Former Defense Minister Fernando Botero today [words indistinct] his family and a grave threat to his life. He said in his letter that the murder attempt against Attorney Antonio Jose Cancino and the assassination of Elizabeth Sarria suggest there are interests opposed to letting the truth about the presidential campaign prevail, considering that these two individuals were key elements in the investigations.

Defense Minister Juan Carlos Esguerra has acknowledged that he has received a letter from former Minister Botero but has denied security measures to protect him and his family have been reduced in recent days.

**Colombian President Appoints Nieto Roa Defense Attorney**

*PA1602050496 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 16 Feb 96*

[From the "Seven O'clock Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 0100 GMT 16 Feb — passages within quotation marks are recorded]

[FBIS Translated Text] President Samper today appointed former constitutional lawyer Luis Guillermo Nieto Roa as his new defense attorney who will defend him before Congress.

[Words indistinct] implies changes. To start, constitutional attorney Luis Guillermo Nieto Roa left his battered station wagon and traded it for an elegant armored plated car with a chauffeur and a group of at least 10 bodyguards who will be guarding him 24 hours a day from now on:

[Nieto] "That just serves to show that the level of insanity we Colombians have reached is so great that we can no longer practice our profession without running any risks, and that is very unfortunate for the country."

His affinity with Alvaro Gomez Hurtado is not by chance, given that he represented the National Salvation Movement in 1991, and both shared the same philosophy:

[Reporter Mauricio Aranguren] "He was always in opposition to the government which you are now going to defend.

[Nieto] "That is correct. He always said there was a need to topple the regime, but he also has clarified that the regime was not the president. On several occasions he even used a phrase to indicate that the president can sometimes become a prisoner of the regime."

According to Nieto, the evidences that have been leaked in the case against the president are all part of the spectacle:

[Nieto] "It is not justice that is being sought but, rather, just the consequences of a public scandal with the hope of discrediting the president."

**Colombian Assistant Prosecutor Denounces 'Pressure'**

*PA1602043896 Santa Fe de Bogota EL TIEMPO in Spanish 15 Feb 96*

[Received via Internet]

[FBIS Translated Text] Assistant Prosecutor General Adolfo Salamanca Correa reported yesterday that vari-

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ous state organizations are exerting pressure on the Prosecutor General's Office to block Case 8000.

"State agencies have displayed a marked interest in not having investigations continue on their normal course," Salamanca said. He did not specify what government entities are trying to obstruct the process dealing with the infiltration of mafia money into political campaigns.

The official also reported that threats against Prosecutor General's Office officials have increased.

Upon being questioned on the origins of these threats, he replied, "I refuse to believe that the guerrillas are trying to harm us" and added that he would not be surprised if it came from other sectors.

Salamanca described President Ernesto Samper Pizano's statement to EL TIEMPO as disrespectful. Samper told EL TIEMPO that for the good of the country the prosecutor general should not take sides in this case, because of his high position.

"It is a profound disrespect to justice," Salamanca stressed, who considered the president's views on what the Prosecutor General's Office should do as improper.

When participating in a forum on the laundering of assets organized by the Prosecutor General's Office, the National Banking Association, and Bancafe [expansion unknown], the assistant prosecutor general disclosed that Prosecutor General Alfonso Valdivieso Sarmiento will present the charges before the president of the Chamber of Representatives within the week.

He said that the Prosecutor General's Office is not judging anything, because it is a totally autonomous organization.

**Property Confiscation**

Prosecutor General Alfonso Valdivieso, in turn, admitted that one of the goals of the drug trafficking organizations was to penetrate the country's various institutions and make sure that these were at their service; they accomplished this.

"Undoubtedly, many institutions have been used by criminals." It is for this reason that he stated his support for all work aimed at countering mafia actions.

One of the fronts on which work will be done is in wiping out property in the hands of drug traffickers. As far as the prosecutor general is concerned, it is essential that Article 34 of the Constitution be complied with, because there is currently a great void.

Valdivieso stressed that the country is experiencing a momentous stage of its history to wipe out society and the economy's complacency about drug trafficking. "The struggle to purge the economy is barely starting."

**Colombian Assistant Prosecutor on Banks' Money Laundering**

*PA1602044896 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 15 Feb 96*

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] Santa Fe de Bogota — Assistant Prosecutor General Adolfo Salamanca Correa said the Colombian financial system and several of its administrators allowed banking transactions that enabled the Cali Cartel to finance the past presidential electoral campaign.

Meanwhile, Prosecutor General Alfonso Valdivieso Sarmiento asked the banking sector to vindicate themselves through the struggle against the laundering of drug money.

Justice Minister Carlos Medellin Becerra announced the establishment of an interinstitutional commission that will work as an alarm to warn of money laundering in legal activities. He pointed out that it had been discovered through contraband that several enterprises were involved in money laundering, adding that measures will be taken against them in a few days. Medellin Becerra noted that this could mean the freezing of all the enterprises' accounts, as well as a detailed investigation of their accounting and financial records.

Medellin Becerra said the measures are part of a plan to fight money laundering in the country. This plan includes not only the expansion of legal provisions for this type of crime, but also direct police actions to control the main contraband routes. He added that most of the resources that finance contraband are linked to the laundering of drug money.

The statements by Salamanca and Medellin Becerra were made at a meeting with the Banking Association of Financial Institutions [Asobancaria] in Santa Fe de Bogota. The meeting was sponsored by Asobancaria, the Prosecutor General's Office, and Asocafe [Coffeegrowers Association].

**Colombian Bank Group Views Increase in Money Laundering**

*PA1602015696 Santa Fe de Bogota EL TIEMPO in Spanish 14 Feb 96*

[Received via Internet]

[FBIS Translated Text] The number of reports on suspicious financial operations increased over the past

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few months as a result of the agreement signed between banks, the Attorney General's Office, and the Banking Superintendency [Superbancaria].

This was disclosed yesterday by the Banking Association of Financial Institutions (Asobancaria), which stated that there is full cooperation to prevent the use of these banks for money laundering.

The banks are constantly sending the Attorney General's Office reports on every transaction that is considered irregular, either because of the large amount of funds involved or because the funds are much larger than their clients' assets.

These are only a few reasons why an account maybe investigated without implying that a crime has been committed.

This agreement, signed in 1995, not only allows banks to send reports on suspicious transactions, but it aso includes a formal tax program for the employees of financial institutions regarding money laundering.

Since 1992, the financial system has been providing information to Superbancaria on cash operations involving more than $10,000, that is, more than 10 million pesos.

In order to strengthen control, the Attorney General's Office is considering the creation of a special unit against money laundering at a national level.

Money laundering will be the main topic at today's forum organized by the Attorney General's Office, Asobancaria, and Bancafe [expansion unknown]. This forum will examine the progress that has been made over the past few months and the new mechanisms that financial institutions will enforce to prevent criminal activities by drug-trafficking organizations.

**Alleged FARC Guerrillas Kill 11 Workers in Colombia**

*PA1502210596 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 14 Feb 96*

[From the "National Newscast"; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 1830 GMT on 14 February]

[FBIS Translated Text] Death continues to reign in Uraba. At 0640 in the morning of 14 February, 11 workers, including a woman, were murdered in Carepa while on their way to Osaka Farm.

National Newscast reached the site of the massacre. We have video pictures of what happened there. We also have telephone contact with our correspondent Yolanda Bedoya, who arrived at the massacre site. Yolanda, good evening, what happened there? Tell us about these dramatic pictures we are watching now. Go ahead Yolanda. We have communications problems with Yolanda Bedoya.

We are receiving unedited pictures of the massacre site. This is the exact site of the massacre, a few kilometers from the capital of Carepa Municipality. The municipality is located some 30 minutes from Apartado, Antioquia Department.

As on previous occasions, the assassins arrived, they ordered their victims to step off the bus, they shot them dead, and left. Another bus passenger who was traveling with the victims was able to save his life and is currently being treated at the Apartado Hospital. The bodies we are now watching were already taken to the morgue in Apartado, where relatives are starting to arrive.

The authorities attribute this crime to the 5th Front of the Revolutionary Armed Forces of Colombia, but nothing is known of the killers. According to the information received by the authorities, all of the dead persons belonged to the Hope, Peace, and Liberty Movement. As we said before, 10 men and a woman were shot dead this morning near Carepa Municipality, in the region of Uraba.

**Colombian Minister Announces Cutback in Judicial Budget**

*PA1402004596 Santa Fe de Bogota EL TIEMPO in Spanish 13 Feb 96*

[Received via Internet]

[FBIS Translated Text] The judicial branch will also have to tighten its belt.

According to Finance Minister Guillermo Perry, the government is facing a difficult situation in its public finances and the judicial branch's budget will also have to be shaved in 1996.

The government-planned cutback of 220 billion pesos in operating expenses will affect all government agencies.

Perry stated that in the last few years the increase of spending in the judicial branch has been very high because this was established in the 1991 Constitution.

Meanwhile, the High Council of the Judiciary denounced the lack of money to finance the new structure established in the Justice Law.

In a letter sent to Finance Minister Guillermo Perry, Hernando Yepes, president of the Council Administrative Chamber, said that the High Council of the Judiciary does not have 27 billion pesos to pay a series of contractors who last year rendered their services to the sector.

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"In the 1995 budget the financial situation of the judicial branch was critical, because the National Treasury did not allocate funds to cover commitments acquired in the operating, general expenses, and investment budgets. This situation has prompted serious disturbances in the development of public works contracts and postponed urgent payments such as public services, rent, security, sanitation, etc.," Yepes affirmed.

Yepes remarked that according to the National Treasury Directorate, accounts payable as of 31 December 1995 would be paid in the month of January of 1996. However, he noted, as of today those debts are still outstanding.

In the letter, Yepes explained that "given the fact that Law 80 of 1993 contemplates the payment of moratorium interests to contractors, the current budget will be significantly reduced.

"This will take place because there are many contracts outstanding, some resulting from large public bids and others from public works for which advances payments were kept in reserves," he added.

"As can be seen Mr. Minister, it is impossible to do a good job without the financial support that can enable authorities to implement the Sector Development Plan, creating noticeable delays in the implementation of projects and increasing, at the same time, the cost of the same," Yepes further said.

Meanwhile, Justice Minister Carlos Medellin has told EL TIEMPO that the Justice Ministry will do everything possible to help obtain resources for resolving economic problems in this sector.

After warning that the deficit in the judicial branch is at an all time high, Medellin stated he is in favor of studying the possibility to reconsider the cutback in judicial branch spending in 1996.

"It is a problem that requires the attention of the Ministry of Finance, National Planning, and the High Council to seek resources and arrive at a constructive solution," Medellin told this daily.

He concluded that the lack of resources to finance the structure of the Justice Law must be resolved.

## Ecuador

### Peru Reportedly Mobilizing Troops at Ecuadoran Border

*PY1502201596 Madrid EFE in Spanish 1740 GMT 15 Feb 96*

[FBIS Translated Excerpt] Quito, 15 Feb (EFE) — According to local residents, the Peruvian Army has been conducting a series of mobilizations throughout the past few weeks on the border with Ecuador. The military movements encompass the advance of military detachments, reinforcement of battalions, and the increase of both war materiel and personnel.

The charges that were reported today by the Guayaquil newspaper EXPRESO were confirmed by EXPRESO personnel who were able to attest that "there were mobilizations being carried out" during a tour of the border region they conducted yesterday.

Ecuadoran Defense Ministry sources consulted by EFE today did not want to confirm or deny the EXPRESO reports.

According to EXPRESO, approximately 700 Peruvian soldiers from the 16th "Pumacahua" jungle battalion previously located in Ciro Alegria — near the Amazonas River — have been deployed to PV [Watch Post] 2. This had previously been a border watch post which has been made into a battalion.

According to the same sources, the "Iquique" jungle battalion, with 700 soldiers, has also been mobilized. This battalion is in the Candungas region, across from border markers 13, 14 and 15, near the border line established by the Rio de Janeiro Protocol. They added that installations for a large garrison are being built in this area.

Argentina, Brazil, Chile and the United States are guarantor countries of the 1942 Rio de Janeiro Protocol which established the Ecuadoran-Peruvian border and are currently entrusted with overseeing the fulfillment of the peace agreements signed by the two countries.

Both PV2 and Candungas are near the area where Peru and Ecuador waged an undeclared war from 26 January to 28 February 1995 over an undemarcated border area in the Amazon region.

The same sources added that six Peruvian pilots are taking special training classes in Russia to fly MiG-29 planes that were recently acquired by the Peruvian Armed Forces. Six of the 12 planes acquired by the Peruvian Armed Forces will be delivered by 6 May.

They stated that approximately 100 T-72 tanks are stationed at the Peruvian detachment in Tumbez, on the border with Ecuador.

Manuel Talavera, spokesman of the Peruvian Embasssy in Ecuador, informed EFE today that he is not "authorized to make any statement. It is up to Lima to make such comments."

Sources from the guarantor countries of the Rio de Janeiro Protocol said they have no knowledge about these alleged mobilizations, which would be in open

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violation of the Itamaraty peace treaty that ended the war the two countries waged between 26 January and 28 February 1995. [passage omitted]

**Ecuadoran Army Chief Denies Peruvian Troop Deployment**

*PY1502220396 Madrid EFE in Spanish 1933 GMT 15 Feb 96*

[FBIS Translated Text] Quito, 15 Feb (EFE) — Ecuadoran Army Commander General Paco Moncayo said today that "there is no deployment" of Peruvian military troops at the border with Ecuador and asked the media to prevent the dissemination of rumors.

"There is no military deployment at the border of the two countries," said General Moncayo categorically. He also called on the media "not to report rumors without basis."

A local morning daily reported that the Peruvian Army has been, for some weeks, carrying out military deployments at the Ecuadoran border, including the moving forward of detachments and strengthening of battalions, military equipment, and personnel.

The daily EXPRESO said that its information is based on reports from people in that zone.

Moncayo said: "The rumors can appear for various reasons, either wrong information or some comments. But if we give an undeserved dimension to this type of information, it will create uneasiness in the country, and among investors, and it will create an environment that is not good for Ecuador."

He added that the talks between the chiefs of the Armed Forces Joint Commands of Ecuador and Peru, Generals Jorge Ortega and Nicolas de Bari Hermoza, respectively, on 11 February "were held in the spirit of peace." He also recalled that "the two foreign ministries are working actively" in the search for a final solution to the border conflict.

General Moncayo called on Ecuadoreans to act "in the belief that the peaceful solution all of us advocate is the best solution for the two countries, and that it should be achieved through negotiations in order for Ecuador and Peru to be satisfied."

Ecuadoran Foreign Minister Galo Leoro and his Peruvian counterpart Francisco Tudela met in Lima on 17 January in the search for mechanisms to reach a final solution, and they plan to meet again in Quito on 22 and 23 February to continue with the same objective.

General Telmo Sandoval, spokesman of the National Security Council that met in Quito, said "there is complete tranquillity" at the border, and that Defense Minister Alfonso Alarcon "reported that the situation is completely normal."

**Ecuadoran Commander on Acknowledgment of Dispute With Peru**

*PY1502171096 Madrid EFE in Spanish 0247 GMT 15 Feb 96*

[FBIS Translated Text] Quito, 14 (EFE) — Ecuadoran Army Commander Paco Moncayo today said he is "pleased" that General Nicolas de Bari Hermoza, chairman of the Peruvian Armed Forces Joint Command, has acknowledged "the territorial dispute" with Ecuador.

Speaking in a government program over a national radio and television network, General Moncayo said: "I am pleased to have heard Gen. Nicolas de Bari Hermoza allude to a territorial dispute, which has previously been systematically denied by Peru."

Gen. Nicolas de Bari Hermoza said this during a ceremony on 11 February in the heart of the Amazon jungle within the framework of a meeting between the Peruvian military chief and his Ecuadoran colleague, Gen. Jorge Ortega.

Ecuador upholds that the Rio de Janeiro Protocol, which established a new Ecuadoran-Peruvian border in 1942 after a war in the Amazon region, is inapplicable because it establishes as border markers nonexistent geographical sites while Peru maintains the agreement must be enforced in compliance with international law.

On many occasions, Peru has asserted that the common border must be demarcated but that there are no territorial disputes.

Nicolas de Bari Hermoza stated: "Now is the time for the two countries to seek a rapprochement on basic issues and to end this dispute which has done so much harm for so many decades."

He added: "As I have said on several occasions, the Rio de Janeiro Protocol has not safeguarded peace and friendship, or even established true border limits."

The Ecuadoran military chief thus alluded to the full name of the treaty: The Rio de Janeiro Peace, Friendship, and Border Protocol.

Commenting on the same radio and television program on negotiations between Ecuadoran Foreign Minister Galo Leoro and Peruvian Foreign Minister Francisco Tudela, Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordova said: "The peace process entails a process for the development of mutual confidence based on the negotiations that have just started."

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Tudela and Leoro met in Lima on 17 January to seek mechanisms that will lead to a definitive solution to the territorial disputes. They are expected to negotiate further on 22 and 23 February.

Ecuador and Peru waged a war from 26 January to 28 February 1995 over territorial disputes. They are currently engaged in a peace negotiation process to find definitive solutions.

## Paraguay

### 'Political Overtones' in Paraguayan General's Speech

*PY1302173796 Asuncion NOTICIAS in Spanish 12 Feb 96 pp 16, 17*

[Article by Robert Figueredo and Luis Gimenez, NOTICIAS special correspondents in Curuguaty, Canindeyu Department; passages between slantlines in Guarani]

[FBIS Translated Text] [Army Commander] General Lino Cesar Oviedo was welcomed at the Curuguaty municipal facilities to the strains of the "Colorado Party" polka. The place was crowded with about 1,000 peasants from nearby hamlets who had been summoned by Curuguaty Mayor Atilano Arias Silvero of the PLRA [Authentic Radical Liberal Party]. In his address, the controversial Army commander labeled himself as a democrat and a champion of the peasants. He asserted: "I will not try to buy anybody's conscience; I will not subvert democracy. I am a protector and promoter of democracy."

Gen. Oviedo justified his constant presence in hamlets by saying that he had to attend to the numerous requests for solutions to the dire situation confronting peasants. "/There are those who do not want Gen. Oviedo to leave his farm, to leave his barracks./ Still, not even a dictatorial regime was able to stop me from advancing the principles of democracy and from participating in this democracy. /Nobody can contain democracy./ The people — the true sovereignty of this country — will elect their authorities and demand what they want. This is why I stand by you," he said suggestively.

Moreover, (in an allusion to politicians) the Army commander criticized those who use the media to proselytize without knowing the everyday reality of the people. He said: "/Our country is small; we do not need the media to make ourselves known and to do good. Those who need the media are the ones who want to tell lies, those who want to lie to their neighbors./"

Gen. Oviedo added: "/Those who have pluck, those who work hard — the doers — must tread every road, they must come/ and visit every house, every neighborhood, and every village. /Only then, my fellow countrymen, can we trust in those who really want to make our country prosper./"

Later in his speech, the Army commander pointed out that "only those who have suffered, those who have had their hour of need can be grateful and have social sensitivity. Those who have always had their fill know nothing of this," thus recalling his humble origins, in which he takes pride.

During his 30-minute speech, which had clear political overtones, Gen. Oviedo kept mentioning his peasant identity so as to get closer to and earn the confidence of his audience, who cheered him from time to time.

The Army commander took advantage of the presence of Mennonite farmers from Nueva Durango settlement to address them in German.

(Asuncion RPC Television Network in Spanish at 2300 GMT on 12 February adds: "Gen. Oviedo said: Dear Mennonites from Nueva Durango, thank you very much for your special attention. I wish you the best in Paraguay. I am your soldier. You will always receive our help, especially the help of this soldier. Thank you very much.")

The Army commander reiterated that he was addressing the audience at the express invitation of Mayor Arias, adding that requests [by peasants] will be met soon.

Gen. Oviedo stressed: "/You may rest assured that I will knock at every door in this country to convey your requests and sensitize people and obtain a just response/, an appropriate and humane response to the long-suffering Paraguayan peasantry, which is full of yearning aspirations and hope."

### Paraguayan Prosecutor Considering Indictment of General

*PY1602012896 Asuncion NOTICIAS in Spanish 15 Feb 96 pp 10, 11*

[FBIS Translated Excerpt] The Public Prosecutor's Office has taken the first step so that a criminal court may bring a new indictment against Army Commander Lino Cesar Oviedo. On 14 February, Anibal Cabrera Veron, the head of the Public Prosecutor's Department, and prosecuting attorney Elpidio Orlando Luraghi issued an opinion concerning the events in the towns of Repatriacion and Curuguaty — which led to the intervention of the Public Prosecutor's Office — and remitted the information to the judges of Alto Parana and Caaguazu Departments.

The opinion submitted to the criminal judge on duty in the judicial districts of Alto Parana and Canindeyu states that, having learned through the media "about the

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alleged perpetration of the crimes enumerated in Law 514/94 by a military officer on active service at Curuguaty, Department of Alto Parana and Canindeyu [as published] — and pursuant to Article 110 of the Code of Criminal Procedure — I remit to you the information so that Your Excellency may institute the criminal proceedings established in Article 15 of said code with the intervention of the public prosecutor of that judicial district. Enclosed please find the newspaper clippings in which the aforementioned crimes are mentioned."

A similar opinion was remitted to the criminal judge on duty in the judicial district of Caaguazu and San Pedro.

Article 115 of the Code of Criminal Procedure establishes with preciseness that those judges who are notified of a charge that meets all the necessary requirements must of necessity take the necessary steps to probe into the event and criminals pursuant to the provisions of said code. According to the Code of Criminal Procedure, when charges are filed before public prosecutors, "the latter shall immediately inform the judge, who has to institute proceedings." [passage omitted]

## Peru

### Peruvian Judge Suspends PetroPeru Downsizing Program

*PY1402203796 Madrid EFE in Spanish 1836 GMT 13 Feb 96*

[FBIS Translated Text] Lima, 13 Feb (EFE) — One judge has ruled in favor of Peruvian northern region oil workers and suspended the PetroPeru [State Petroleum Agency] downsizing program while workers continue the strike to protest PetroPeru's privatization.

The court ruling, which benefits more than 1,200 workers whose names are included in a list drafted by the company "inviting" them to voluntarily resign in exchange for economic incentives, was issued by Judge Fernando Vega in the city of Talara, in the northern region of the country.

Vega accepted a petition for a court injunction submitted by the PetroPeru workers union in Talara which charged "flagrant violations" of workers rights upheld by the Peruvian Constitution, the laws in force, and international agreements.

The downsizing program, which workers view as a plan for "massive dismissals," signifies the "voluntary resignation" of more than 1,200 workers of the Talara refinery plant.

Union sources have stated that although the "invitation" to tender their "voluntary resignations" does propose economic compensation, it also establishes that if the proposal is rejected, those affected will be dismissed and only their social benefits will be paid.

Judge Vega's ruling, which calls for the suspension of the downsizing program, holds that it "constitutes a threat to the constitutional right to work."

The Talara oil workers strike started on 1 February to protest the privatization of PetroPeru and to avoid the firing of personnel, one of the steps prior to PetroPeru's privatization.

Peruvian opposition parties are against the privatization of PetroPeru because they consider it to be a strategic company for national security that should not be sold to foreign capital.

Victor Joy Way, first vice president of Congress and a member of the Change 90-New Majority, Peruvian President Alberto Fujimori's party, has stated that PetroPeru's privatization is an issue that should be discussed calmly "putting aside all personal and political passions."

Joy Way, who favors PetroPeru's privatization, denied that 100 percent of the company's stocks will be sold to private capital and added that the state will have control over 40 percent of the company's shares.

As for the economic incentives offered to those who tender their "voluntary resignations," Joy Way said that every worker who accepts this proposal will receive an average of $20,000.

Union for Peru Movement (UPP) the leading opposition force headed by former UN Secretary General Javier Perez de Cuellar, has issued a communique in which it urges the government "to open a national debate on the future fate of PetroPeru."

The UPP communique demands the holding of a debate, the nullification of the PetroPeru privatization schedule, and the end of massive dismissals.

It also states that the government should "be aware that it has caused a serious social crisis in the northern oil region."

The UPP communique adds: "There is no valid argument for insisting on implementing a controversial privatization process by adhering to a 'schedule' which, under the current circumstances, would be an obvious imposition on the nation because it is clearly rejected."

General Nicolas de Bari Hermoza, chairman of the Peruvian Armed Forces Joint Command, has declined to comment on PetroPeru's privatization plans because he said it is unwise to do so "until people are more calm."

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Hermoza added that the issue "is highly politicized" and called for a calm debate "without encouraging any divisions."

He said that because privatization is a political issue, it is an issue that should be discussed by politicians, economists, and experts.

The Peruvian Government has reasserted on several occasions that the PetroPeru privatization process is "irreversible."

The PetroPeru privatization schedule, which opens with the sale of production units, is scheduled to start in March with the auction of the Petrolube, the PetroPeru lubricants plant. The entire privatization process is scheduled to last until February 1997.

**Peru's PM Justifies Petroperu Privatization Plan**

*PY1502145896 Lima America Television Network in Spanish 0100 GMT 15 Feb 96*

[FBIS Translated Text] Prime Minister Dante Cordova Blanco today told the Congressional Permanent Committee that the Petroperu [State Petroleum Agency] privatization process will facilitate a modernization of the hydrocarbons and national oil reserves industry. Cordova Blanco stressed that Petroperu will neither disappear nor lose control of important oil activities.

[Begin recording] [Unidentified reporter] Responding to an invitation extended by Congress, Prime Minister Dante Cordova Blanco briefed the Congressional Permanent Committee on the extent of the Petroperu privatization process. Cordova attended Congress in the company of Energy and Mines Minister Amado Yataco and Petroperu Chairman (Alberto Pandolfi).

Cordova said the government decided to privatize Petroperu to promote private investments in the oil industry, to obtain new partners, and to overcome the increasing hydrocarbons sales deficit because the government cannot invest the amount required by the oil industry.

Speaking about the Petroperu privatization process, Dante Cordova said oil fields are not for sale. He said the government will issue license contracts over a specific period of time. He added that this will also apply to the northern region oil pipeline.

Cordova said the Iquitos refinery will not be sold but that a management contract will be signed. Referring to the Talara and La Pampilla refineries, he said the state will maintain 40 percent of stocks, 10 percent of which will be sold to workers. The B-type stocks will guarantee the presence of the state while the so-called gilt stock will allow the state the right to veto some decisions of private investors.

[Cordova] It is important to establish that Petroperu will neither disappear nor lose control over substantial oil industry affairs. Petroperu will assume a different role in compliance with what is established in the Hydrocarbons Law.

[Reporter] Dante Cordova said this national security program concerns Peruvian sovereignty and is fully safeguarded by the Constitution because it entitles the state to do as it wishes with state properties during emergency situations or situations that jeopardize national security.

Dante Cordova said oil royalties will remain the same, and are likely to increase due to eventual new investments.

He stressed the need to resolve the labor situation in Petroperu which in the 1980's unjustifiably increased the number of employees. He said a voluntary retirement program has been established granting a bonus of 23,500 soles per worker in addition to social benefits.

Congressmen later posed a series of questions to Dante Cordova, and expressed their position about the Petroperu privatization plan. Some expressed their complete opposition to the plan, among them Jorge Donaire; those who expressed their support, among them Rafael Rey; and others who questioned the danger of creating a monopoly. Some discussed the advantages of implementing a partial sale of the company. Fernando Olivera, for example, said the idea would be suitable because it would allow greater participation of Peruvian capital which will have scarce participation if Petroperu is sold in its entirety. [end recording]

## Uruguay

**Uruguayan Industry, Energy Minister Rules Out Devaluation**

*PY1602022096 Montevideo LA MANANA in Spanish 1 Feb 96 p 5*

[FBIS Translated Excerpt] Industry and Energy Minister Federico Slinger has assured the journalists who questioned him at the Libertad Building that the Uruguayan Government is not thinking in terms of devaluation. This was his answer to exporters who have been asking for a devaluation in the wake of Brazil's recent currency adjustment. Slinger said that "Brazil did not devalue its currency; it merely established a floating band for the U.S. dollar, similar to what Uruguay has.

Slinger explained that talking about a devaluation in Brazil is "melodramatic; it confuses the people."

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He added that the events in Brazil should be closely followed, but emphasized that "the administration is not even considering a devaluation in Uruguay."

Slinger talked to the journalists at the end of the cabinet meeting on 31 January. He gave them an overview of the policies that his ministry is currently implementing.

He said: "Our industrial policy is clearly defined in that it seeks to stimulate industrial development within the framework of the overall economic policy."

Slinger also outlined his ideas on energy development in Uruguay based on the use of gas and cooperation agreements with Mercosur (Common Market of the South) member countries.

He explained that the cabinet meeting did not address any specific measures but rather overall guidelines. He did announce, however, that "there will be incentives for industrial firms that manufacture for export," because the development of the latter has been given top priority. [passage omitted]

**Uruguayan Leadership 'Vacuum' Seen in Broad Front**

*PY1502024696 Madrid EFE in Spanish 0014 GMT 13 Feb 96*

[FBIS Translated Text] Montevideo, 12 Feb (EFE) — One week after the resignation of General Liber Seregni as president of the Broad Front, the Uruguayan left is seeking a way to fill the vacuum after an attempt to create a "triumvirate" to lead the group.

Seregni, 79, the historical leader of the Broad Front, who after resigning as president sought seclusion at a seaside resort in order to rest, has received numerous visits by personalities who have tried, without success, to make him change his mind.

Today it was learned that the possibility of a triumvirate to lead the leftist group has begun to founder after a meeting with Tabare Vazquez, a former presidential candidate and a former mayor of Montevideo, who did not attend the ceremony in which Seregni announced his withdrawal.

Two of the candidates, Vazquez and Montevideo Mayor Mariano Arana, have refused to join such a leadership.

Vazquez has said that he will not participate in any type of leadership of the group until the conclusion of the investigation into his participation in the sale of medical equipment to the Public Health Ministry.

Arana, who returned from New York today, has insisted that he is the mayor of Montevideo, and therefore cannot take up a leadership post within the group.

"We must distinguish very well what a government post is and what a post with political responsibility is, which, because of its very nature, implies a determined type of management that would not allow the generalized type of management we need to contribute to the basic transformation Montevideo merits," Arana said.

The second mayor of Montevideo in the history of Uruguay, elected to the post in 1994, maintains that "the Broad Front must think and act with tolerance and acumen when evaluating present-day phenomena. It must have the capability to act quickly, which in no way is incompatible with responding adequately to the current reality."

There is also no internal support for the creation of an executive secretariat with delegates from all the sectors of the Broad Front represented in the Senate, as was proposed by some leaders of the coalition.

**Uruguay: 'Slave Trade' Uncovered; Officials Involved**

*PY1602021896*

[FBIS Report] Montevideo LA MANANA in Spanish on 13 January carries, on page nine, a 200-word report noting that "Interior Ministry and Defense Ministry officials may be involved in a slave trade operation." LA MANANA quoted an unspecified morning daily as having reported on 12 January that "Interior Minister Didier Operti has ordered an investigation to take those responsible to court," adding that "Uruguayan police officers were the local connection for an international organization that sells Chinese citizens as slaves in Argentina for $5,000 each."

According to the report that LA MANANA quoted, "two airlines are under investigation for possible involvement in the transportation of the Chinese citizens in question, and even the director of the Uruguayan Immigration Department is under suspicion."

The same paper reports, in its 18 January edition, page five, that Blanco Party Deputy Julio Lara disclosed during a news conference that four or five groups of "Chinese citizens were brought to Uruguay and taken to Argentina via the Fray Bentos and Paysandu bridges." Lara added that "Uruguayan porters involved in the operation collected $300 for their help, while the employees of the Brazilian airline VARIG [Rio Grande do Sul Airline] were getting $1,000 each." The last such group comprised 15 people who arrived in Uruguay in December 1995.

Lara reported that five Immigration Department officials, two Interpol officers, two porters, and two VARIG employees were being interrogated. He explained that

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the slave trade "was in the hands of a criminal organization which had infiltrated Interpol, the Argentine Border Police, the Argentine Coast Guard, airlines, and the Uruguayan Immigration Department."

Montevideo EL OBSERVADOR in Spanish on 19 January publishes a 300-word report that Pando Department Judge Alicia Alvarez has ordered the release of four Interpol officers and two Immigration Department officials who were being questioned in connection with the trafficking in Chinese citizens. According to the report, the lawyer of the Immigration Department officials said that on 8 December her clients "did not see any group of Chinese tourists or immigrants, as Deputy Julio Lara claims." The report further states that the airline involved "rejected the charges levied against it and claimed that its officials strictly complied with the appropriate regulations."

Montevideo LA MANANA in Spanish on 5 February carries a 100-word report stating that "the Interior Ministry formally charged two Interpol officers in connection with the affair involving Chinese citizens who were brought into Uruguay and then taken to Argentina illegally. Interior Ministry Director General Daniel Lamela explained that in addition to the two officers, who will be separated, two Immigration Department officials have also been accused."

## Venezuela

### Venezuelan Authorities Arrest 10 During 14 Feb Riots

*PA1502202696 Caracas Venezolana de Television Network in Spanish 1545 GMT 15 Feb 96*

[Report by Pedro Prado]

[FBIS Translated Text] In all, 10 people were arrested by the Disip [Directorate of Intelligence and Prevention Services] for participating in the violent events at the Central University of Venezuela area this Wednesday. Interior Minister Ramon Escovar Salom asserted that those people will be prosecuted to the fullest extent of the law and that the government will not continue to tolerate what it describes as university blackmail.

[Begin Escovar Salom recording] The government will not allow abuses against the university. It will make people respect the integrity of the universities. The integrity of the universities is defended by stopping hooded people and all those who further violence at universities and want to use them and other institutes of higher education to further illegal actions that do not relate to the students, academic training, or the country's culture. Quite the contrary, such actions negatively affect the Venezuelan youth's education and future. [end recording]

Federal District Governor Asdrubal Aguiar asserted that a Central University guard who was allegedly supplying the masked protesters with weapons is among the people arrested.

[Begin Aguiar recording] This will have to be thoroughly investigated. We have to verify it. Now, the truth is that hooded people instigated the violent events that the television cameras have recorded. The hooded people were not — as a representative of a human rights committee asserted yesterday — policemen in disguise. Those are fantasies that have emerged in sectors that contributed to the furtherance of this violence. [end recording]

In sum, there are six adults and four minors who are under arrest at the Disip. The security organization is currently preparing the cases to send them to the courts in the next few hours. As it has already been announced, the Minors' Protection Law will be applied to those who are under the legal age.

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